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Current Financial Opinion

The Up-to-Date Thoughts of Wide-Awake Thinkers

"Psychological" Hard Times.

PRESIDENT WILSON is an apt coiner of phrases, but the majority of readers undoubtedly feel that he was a shade too theoretical in endeavoring to account for the present business depression as purely psychological. If the old Republican slogan of "the full dinner-pail" was too obvious an appeal, and open to the interpretation that a man consisted mostly of stomach, the attempt to account for empty pockets on the ground of psychology certainly leans to the other extreme.

It was to be expected that the paragraphers would have a lot of fun with such a word. The labor papers, especially, became very sarcastic over the President's *bon mot*—or *faux pas,* just as you choose to look at it. Thus the New York *Call* says under the heading of "Woodrow Wilson—Humorist":

> The President told a convention of business men in Washington that the country is suffering from a depression. Then came the joke, his crowning burst of humor: BUT IT IS ONLY PSYCHOLOGICAL!
>
> Isn't that a delicious bit of fun? "Phychological hard times!"
>
> Woodrow Wilson now may take his place with Mark Twain, Bill Nye and Bill Taft. Especially with Bill Taft.
>
> Taft told the workingmen that "God knows" what a workingman is to do when he is out of a job and can't find one. Wilson tells him that his condition is merely a psychological one.

The exact words of the statement as given out from the White House were as follows:

> The President also said that, while he was aware of the present depression of business, there was abundant evidence that it was merely psychological, that there is no material condition or substantial reason why the business of the country should not be in the most prosperous and expanding condition. He urged upon his hearers the necessity of patriotic co-operation on the part of the business men of the country in order rather to support than oppose the moderate processes of reform and help guide them by their own intimate knowledge of business conditions and processes.

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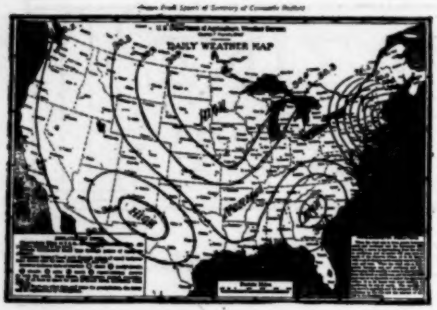
Frank A. Vanderlip on the "Psychology" Theory.

LOOKING at the matter more seriously, nearly every one recognizes that there is a certain point of view from which the President's statement is true. That isn't saying a great deal, however, for almost any statement is true from some point of view or other. The important thing is that our point of view should be just and well-balanced; and undoubtedly most business men and investors will conclude that Frank A. Vanderlip, president of the City Bank, in his recent address to the New York State Bankers' Association, came much nearer to that ideal than did the President of the United States:

> I believe that the lack of enthusiasm about the future, the state of pessimism that sur-



THE COUNTRY'S BUSINESS WEATHER MAP.
—*Chicago Record-Herald.*

Drawn by the weather forecaster at Chicago to represent Secretary Redfield's statement of business conditions.

rounds many phases of business, the disposition toward extreme conservatism, the lack of new plans for capital expenditure for railway improvement and extension for new industrial conquest, all have their roots in a state of mind, rather than in the statistics of actual business data; but I am not certain that this state of mind is grounded in unfounded fears, that it is caused by legislative ghosts, that it is engendered by baseless apprehension concerning legislative tendencies and the trend of public opinion.

The obstacles in the way of business recovery may perhaps be truly described as psychological, and still be a manifestation of sound business sense in apprehending the true meaning of the political-economic situation.

If, for a moment, we could forget these factors and attempt to gauge the business outlook by only the old time standards which used to be sufficient, we would see looming large the prospect of a great agricultural yield.

We would see easy money here and abroad, and although we might argue that money was easy because of a lack of profitable employment, still its present ease would promise that there would be no interference with increased business activity on the score of interest rates.

We would note that we were embarked on the trial of a new banking system, about which—whatever points of disagreement there might be—there was the unanimous opinion that its working would ultimately tend toward inflation.

We would find sound credit conditions, both in the position of the banks and in the mercantile community. We do not have to recover from any period where nature has been niggardly.

On the other side of the page we see that a reduced tariff is permitting some increases in our imports of manufactured articles and having a corresponding effect in slowing down some of our industries.

One of the most serious obstacles that we would find would still be in the labor situation. Here the exactions of unions have added vastly to the expense of transportation and manufacture.

The most important entry we would make on the debit side of the business outlook would be in connection with the operation and financing of the railroads.

John V. Farwell, the Chicago merchant, expressed similar opinions in a recent interview:

The President's theory is partly true and partly not, but we must consider the facts as they are. People act from impressions of all kinds, and if they are not moving forward today it is because they entertain a lack of confidence in the future. This lack of confidence is not born so much of material things, but arises rather from the acts of Congress, legislative bodies and commissions. People do believe that crops are going to be good, but are unwilling to act until actual results are shown. The boom which the President predicted would result from the Tariff Act has not materialized, and if he was wrong before people do not think it unreasonable that he might be wrong again.

* * *

"Are Security Prices Cheap?"

A BETTER psychology will naturally make its first appearance in the stock market, where prices depend even more upon the composite mind of humanity than they do in the industrial field. In a recent session of the Stock Exchange total transactions were 37,000 shares, the low record since May 1, 1897. Evidently the wave of better feeling has not yet reached the Exchange. Theodore Price, in the *Outlook*, goes back as far as King Solomon, the "wisest man," in an effort to extract sunshine from cucumbers:

Security prices are low. Are they also cheap?

In the third chapter of the Book of Ecclesiastes, verses one to six, there is stated for the first time, as far as I am aware, the rule of periodicity in the contraction and expansion of business. It reads thus:

"To everything there is a season . . . *a time to break down, and a time to build up; a time to get, and a time to lose; a time to keep, and a time to cast away.*"

After Solomon, the best authority upon the alternations of prosperity and hard times is Senator Burton, of Ohio. In his "Crises and Depressions," published in 1910, he describes the phenomena which precede a crisis. . . .

Those who have any knowledge of American financial history will agree that what

may be described as the "major" crises of the past have been about twenty years apart.

Looking backward through the perspective of the years, we find that each crisis was preceded by exactly the sequence of events which Senator Burton has outlined, that the collapse was past due when it arrived, that the political or financial episode supposed to have caused it was but an incident, and that, irrespective of politics, prosperity has always returned as extravagance was checked, speculation subsided, and low interest rates began to evidence the reaccumulation of lendable capital.

In the present subnormal condition of sentiment it is the duty of every right-thinking man to do and say whatever he can to dissipate the vapors of a miasmatic pessimism and persuade people that the "time to break down" is at an end and "the time to build up" is at hand.

* * *

Careful Thinkers See Reasons for Optimism.

WHILE the multitude are still in the slough of despond the time arrives for shrewd investors to pick up securities—that's an axiom. Still that doesn't fully answer the question when to buy, for of course the slough may be deeper and wider than we think it is. The first man to sight the farther bank may be "too previous" and may have to carry his burden of securities through considerably more mire before getting his feet on solid ground again.

There are signs, however, that some pretty level-headed people are beginning to get a glimpse of improvement ahead. John Coulter, financial editor of the *Telegraph*, is responsible for the following:

One of the quiet big men in the Street, a capitalist who has made his money in securities and has all of it invested in stocks and bonds, expresses the opinion that an unusually favorable opportunity now exists for the purchase of good stocks for a long pull.

He is so firmly convinced on this point that he has bought a substantial line of securities within the past few weeks, taking a varied assortment from the highest grade bonds down to industrial stocks paying no dividends, but which on investigation he found to be possessed of present merit and good prospects.

He is something of an expert in making investments, having generally been successful in getting in near the bottom, although as a rule he sells out before the culmination of an advancing movement. He got in at the low points of the panics of 1903-4 and 1907, and he believes that his record this year will be somewhat similar.

This investor has bought more freely of industrial stocks than ever before and says the advice he would most strongly impress upon the inexperienced is to beware of such industrials as publish insufficient information regarding their affairs or no information at all. At times in the past, he says, he was led into investing in the stocks of such companies; and while on a few occasions the venture turned out well, losses resulted as a rule, and the balance was on the wrong side of the ledger. Of late years he has resisted all temptation to invest in stocks about which he can receive only oral information.

Thompson, Towle & Co.: A man of affairs, whose opinion as to the market is often sought, but seldom given, tells his friends:

"I am a big bull on the market and believe from now on stocks can be safely bought. I base my belief on the future of the market on four things:

1. A thoroughly liquidated condition of merchandise stocks;
2. A thoroughly liquidated condition of securities;
3. The best crop outlook for years;
4. The outlook for cheap money.

"The above are four fundamentals that can offset any possible unfavorable factors. The Mexican situation I do not figure as presenting any great market factor, and with an increase in rates I think we will very quickly begin to see the brighter side of the picture and forget the unsatisfactory past."

Hayden, Stone & Co.: The point has well been made that pessimistic utterances and low stock prices are apt to be contemporary. As has been pointed out, in September and October, 1912, various captains of industry expressed themselves as very well pleased with conditions. That was just at the crest of the wave. Today scarcely a man in a responsible position can be found who is not in a pessimistic frame of mind. It is,

THE EUGENIC BABY.
—*Columbus Dispatch.*

of course, only natural that men in charge of large businesses should be influenced by current conditions, and entirely proper that they should trim their sails accordingly, but the market always looks to the future, and with the liquidated business condition and sound banking situation of today, it would take but a small change in sentiment to make for a big uplift in prices.

Ballard & McConnell: There has not been a time in years when so many commission houses of high standing and long experience have so generally expressed the opinion that investment securities are a purchase at going prices, as they have been doing for the past two or three weeks. At the same time it is seldom that the public has been so indifferent to such advice.

Bankers and brokers are disposed to qualify their recommendation of railroad stocks. One correspondent tells us that Wall Street houses which at times have carried as much as 400,000 shares of railroads for account of clients are carrying none at the present time. On the other hand they find increasing inquiry for industrials, and there is a certain amount of accumulation going on in shares ranging between, say, 20 and 40, which are earning enough to go on a dividend basis of 3 to 4 per cent., and which have been thoroughly liquidated during the past six months. A member of one large international house writes us that in his opinion a favorable decision in the 5 per cent. rate increase case would have but temporary effect in stimulating the market for railroad stocks, and that any advance based upon such opinion will be utilized for further liquidation in this department.

Wall Street's pessimism on railroad shares is easily explained. It is based upon a belief in ultimately stricter Government control, with possibly a purging of railroad securities preliminary to actual Government ownership.

Byron Holt: In our opinion, the great economic forces that have caused interest rates to advance, during the last sixteen or eighteen years, have so changed that interest rates are reasonably certain to decline during the next five or ten years.

We consider general conditions as decidedly favorable and we would think that we were laying the foundation for a big bull market, if there were not so many reasons for making exceptions in specific classes of stocks. The exceptions are so numerous as to break the rule—at least as to common stocks.

We are, however, unqualifiedly bullish on most good preferred stocks and on good bonds that yield more than 5 per cent.—of which there are many.

* * *

Western Bankers See Big Crop Prospects.

THE nearer you are to a thing the bigger it looks to you. Here in New York our eyes just now are fixed on the big gold exports, while in the Central West they hardly know about the gold movement but are rising early to congratulate each other on the splendid wheat prospects.

A New York paper recently said that there had never been a bull stock market concurrently with heavy gold exports. These broad, sweeping statements are hard to back up. How about 1908 and 1909, when we exported $30,939,000 and $88,793,000 gold, respectively, while stocks moved up almost continuously?

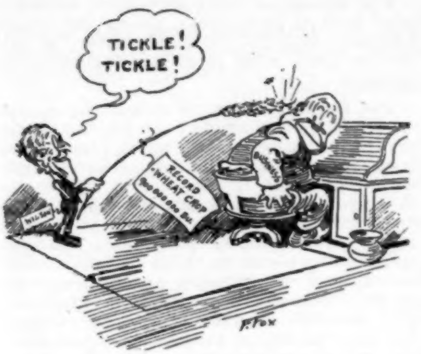
It's hard work to be a pessimist when you are surrounded on all sides with such crops as are now growing in the West:

George M. Reynolds: If the crop predictions hold good, business is going to start picking up, and a great deal of the uncertain feeling that has been prevalent in the country for some time will be swept away. There is no serious underlying condition responsible for what you might call the present stagnation. In fact, conditions are not bad at all—no worse than they were in 1912, for instance. Regardless of their merits or demerits, the new tariff law, the change in the currency system, the proposed anti-trust bills and other legislative measures either enacted or proposed—all these things have helped create an air of uncertainty. Business interests have been waiting and are now waiting to see how they will be affected.

The reaction of a bumper crop upon business will not be long delayed. When the first harvesting shows that the yield is up to expectations, the country banks will be calling for money to help move the crop, the elevators will begin to take on life, and there will be a demand upon the railroads for cars. There are so many ramifications to be followed down that it is impossible, of course, to say just how soon after harvest the big wheat crop will have its effect on all lines of business.

John J. Mitchell: Business men at present are not pessimistic but timid. They seem uncertain as to just what the future has in store. With the promise of good crops the situation would be more favorable. The gross business and working force of manufacturers and merchants have been lessened. Business has not as yet become adjusted to the tariff situation. The new currency bill is undoubtedly good, but will probably be delayed in its final consummation. There is a certain amount of unrest. Congress is in session, with a disposition to be radical in anti-trust regulation. In fact, so much of a radical nature has been done by way of legislation that the average business man does not know where he is or what he can do. I think business on the whole is fundamentally sound.

American National Bank of San Fran-



THAT GOVERNMENT CROP REPORT.
—New York Evening Sun.

cisco: Agricultural conditions in California are in many respects ideal. Hay and grain crops bid fair to break all records. Our principal export grain crop—barley—will be one of the biggest in the history of the State. Conservative estimates place the yield for this year at more than 800,000 tons. Feed is abundant and cheap, and this fact has an important bearing on the supply and cost of food, especially meat and dairy products.

Fruits will show a large yield, though in some products the outlook is not so favorable as it was a month ago. Especially is this true of prunes, which have been dropping badly.

* * *

And the East Looks for Gradual Improvement.

THROUGHOUT the country, in fact, there is a tone of hopefulness in the comments of many leading financial and business men:

People's National Bank of Pittsburgh: Present unsatisfactory financial and commercial conditions are not local to the United States, and are not due exclusively to recent specific legislation already enacted or pending, although the latter has been magnified by partisanship.

The overspeculation of a half-score or more years ago, which embraced everything from mining stocks to city skyscrapers; unsound financing, of which the New Haven disclosures are the most recent illustration, and the contagion of extravagance which quickly spread from the highest corporation circles to the lowliest individual spendthrift, changing modes of thought as well as sense of values—these are basic causes of lack of confidence in investments, hesitation in business, and dissatisfaction with any condition short of feverish excitement.

Still, there is nothing absolutely new in all this. Figuratively speaking, each generation has its mumps and measles, and in cases of severe fever, like the recent past, recovery is slow. In the United States the patient seems to have passed the crisis. He resents the admonitions of job comforters wrapped in their garments of holiness, and he threatens to discharge the legislative doctors who have been piling statutory specific upon specific ad nauseam. Physicians say it is a good sign of recovery when a patient begins to show "temper."

Gen. Charles H. Taylor, owner of the Boston "Globe": It is the consensus of opinion of some of the keenest and most farsighted men that the United States is entering on an era of prosperity that will completely overshadow even the great periods of business prosperity that have already come to this country since the Civil War. They assign many sound reasons for this prediction.

The first—and the one which is the most significant to many of them—is that we have gone through a season of business depression for the first time in our history without a panic. The old-time speculators who could always scent a panic and make money out of it are completely confused.

They have seen Europe throw back into this country from $250,000,000 to $300,000,000 worth of securities and have seen these securities absorbed and the gold sent to Europe without any particular fuss. That would have meant a panic in the stock market at least a few years ago.

As Mr. A. W. Douglas, of St. Louis, says there has been a curious psychological phenomenon during this business depression—the people—the common people—have been optimistic through it all.

So now that the lesson has been learned, and that the greatest crops in the history of the country are in sight, it is up to everybody to forget the mental depression, start in quickly and get aboard the prosperity train that has been simply standing still on the tracks waiting for the engineers to oil up for a long run.

Charles H. Sabin, vice-president of the Guaranty Trust Company: I cannot help but feel optimistic on the business outlook. Just one thing is holding us back. That is that business men don't know what they can do. If the laws were properly defined so that business could adjust itself to them, the prospects in this country would be wonderfully good. In the splendid crop conditions we have the foundation for a tremendous forward movement.

Rollin P. Grant, president of the Irving National Bank: General business, from surface indications, seems more depressed than it was two months ago. There is nothing in sight that looks like a sign of a boom, but you must bear in mind that when a boom begins—growing out of such conditions as we have now—its start will be imperceptible at first, like an express train leaving a terminal. Some day we will be surprised, when we look out of the window,

to find that we are moving faster and faster, instead of standing still.

John F. Gardin, of the City Bank, New York: The Federal reserve law is the one bright spot we have to look forward to at this moment. It is to relieve us from the bondage in which we have been for fifty years. I consider that release just as great as the emancipation of the slaves. The reserve law favors foreign more than domestic commerce.

A. Barton Hepburn, chairman of the board of the Chase National Bank: Business is still hesitant—still holding back. This is largely due to the tariff, whose effects have not yet become wholly apparent; also to the financial legislation that is about to be put in force. The feeling in regard to the latter is one of confidence and hopefulness. It is believed that the measure will work out all right. It involves an important change in our banking system, and a great shifting of funds to the reserve centers. Naturally, people are inclined to go a little slow until they see what the results will be.

The matter of trust legislation causes a good deal of uncertainty among the larger business interests, because indications are not yet clear what form this legislation is going to take.

The Bache Review: It is true that wages have not been liquidated openly, but in the gradual increase of the unemployed labor is steadily losing. The long-deferred liquidation of labor is now taking place, not through reduction of wages, which is the usual method, but by reduction in number of employees, making it necessary for those still holding places to do all the work. Efficiency is thus increased, and an economic result is reached, the same as if wages had been reduced and the larger force retained. While other things have been liquidating in the last few years, labor has never permitted itself to take part in this by reduction of wages, but on the contrary, wherever possible, as with the railroads, has insisted even on increases. But the laws of trade are immutable and have forced the result in another way.

The Outward Drift of Gold

Europe Still Greedily Absorbing Yellow Metal.

THE big appetite of the Continental banks for gold is very hard to satisfy. Russia, France, Germany and Austria have all greatly increased their stocks of gold during the past year, but they want still more.

The table herewith shows the specie holdings of the principal European banks at the end of May, with the increase over the corresponding period of last year. It illustrates very forcibly the general scramble for gold.

The gold export engagements since January 1 total, up to this writing, over $67,000,000, but so far the loss has not been missed, owing to our excessive supplies of gold for handling the relatively small business now being transacted.

The outflow may naturally be expected to continue, though probably not in the same volume, until August, when the exchange rate will doubtless soften in anticipation of increased agricultural exports in the fall. The *Journal of Commerce* explains the unusual demands of Russia, France and Germany as follows:

GOLD AND SILVER HOLDINGS OF EUROPEAN BANKS.

	This Year.	Last Year.		
Russia	$902,113,000	$809,550,000	Inc.	$92,563,000
France	842,444,000	756,797,000	Inc.	85,647,000
Germany	408,402,000	316,570,000	Inc.	91,832,000
Austria	313,451,000	296,319,000	Inc.	17,132,000
Spain	240,483,000	233,698,000	Inc.	6,785,000
Italy	237,494,000	246,776,000	Dec.	9,282,000
England	178,700,000	183,256,000	Dec.	4,556,000
Total	$3,123,087,000	$2,842,966,000	Inc.	$280,121,000

At present New York can spare gold without any inconvenience, since the banks and trust companies in the Clearing House now have $445,000,000 specie on hand against $340,000,000 a year ago.

Russia has recently been calling home the gold it usually keeps on deposit at European centers. It has been passing through a severe crisis resulting from governmental fiscal plans, especially in the form of efforts to restrict the participation of the

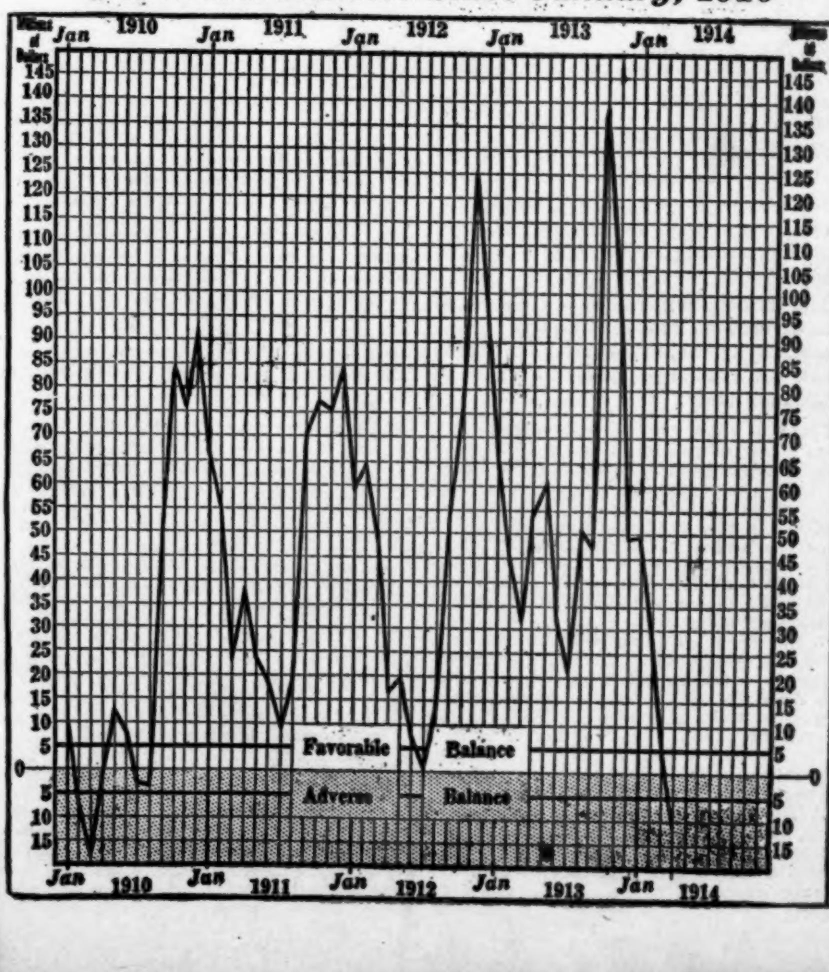
Jews in joint stock institutions. In fact, this crisis may not be regarded as having been actually surmounted.

The London *Times* stated that £25,000,000 of foreign capital, which had been subscribed for development of Russian industries, is being withheld pending further orders, and charters of more than 300 new companies have been pigeonholed. A conference of leading financial interests called by the Russian Minister of Finance was held a short time ago to consider the demoralized condition. As a result of this conference an appropriation from the State Treasury of 100,000,000 roubles was recommended to support the general financial situation.

Rivalry in armament is constituting one of the strongest demands by Europe for gold. On Friday last the Russian Minister of Finance informed the budget committee of the Duma that Russia, within the next five years, must spend $3,760,000,000 for the army and navy. Excluding the cost of strategic railways, the empire has spent $2,580,000,000 in the last six years and lately proposed enormous increases in order to meet the German growth of armaments. The failures of two Russian banks were announced last week, and a leading Moscow speculator defaulted.

Paris is just now passing through a severe financial as well as political crisis. The Bank of France is steadily accumulating gold as is its custom under such conditions and now holds the largest stock of the precious metal in its history. There is very close relationship between the purely political and the financial part of the French crisis. The government is urgently in need of new funds and the national loan, for which French bankers have been preparing, will necessarily be still further delayed. A

The Trade Balance Since January, 1910



systematic campaign supposed to emanate from foreign banks seeking French business is being conducted by means of circulars, and the importations of gold into Paris are understood to be a necessary response to these attacks, as the Bank of France desires to be in a firm position in order that it may help out other financial institutions. The Imperial Bank of Germany is continuing its definite policy of increasing its gold stock and now holds 1,301,077,000 marks, against 1,043,855,000 marks one year ago and 916,898,000 marks in 1912.

* * *

What Are the Chief Causes?

AN unusual combination of causes has led to this large loss of gold to Europe. They may be summarized as follows:

(1) Building up of big war chests by Continental powers.

(2) Sharp decrease in American exports of agricultural products, and some increase in imports as a result of lower tariff.

(3) Great reduction in flow of capital from Europe to America in form of new investments.

(4) Abnormally low money rates on this side, strengthening foreign exchange.

The tremendous drop in our trade balance is brought out very clearly by the accompanying diagram from the *Annalist*. A London dispatch to the same publication adds:

There is good reason to foresee quite a large drift of gold to Europe from your side. From Argentina the drift is promoted by the disappointment in the matter of maize exports. Brazil has to go on sending gold hither from the laisse at Rio in support of her exchanges. Decrease in value of exports is her troubles too. Decrease in exports again is at the bottom of the firmness of sterling exchange in New York, which is driving your gold to Paris.

In all three places, too, New York, Buenos Aires and Rio Janeiro, there is another influence at work to set the tide of gold in this direction. It is the dwindling of the supply of fresh capital available here for investment there. South America is not exporting her securities to us; we have no market for them just now. On balance we must have been selling more securities to Wall Street this year than Wall Street to us. For the present the stream of paper hither across the Atlantic is stopped, and to maintain the balance a stream of gold has to take its place.

Flow of Capital Europe to America.

THE London *Statist* estimates that about $40,000,000,000 of capital has been supplied, nearly all during the last two generations, by the older, lending countries to the young and more rapidly growing nations. The result is a steady flow of new capital from Europe to America, and a reverse flow of securities from America to Europe. Just at present the dullness of general business in Europe has checked this movement. On the other hand, capital (yearly fluctuations aside) is tending to grow more rapidly than ever before:

Two generations ago the nations of Europe depended almost entirely for their means of subsistence upon their own productions; and not only did they seek to be self-contained as far as possible and to avoid reliance upon other nations for necessaries, but it was impossible for other countries to supply them with any large quantity of goods.

The aggregate value of the imports of what are known as the five lending countries of Europe at that time was less than £250,000,000 per annum. Mainly in consequence of the willingness of these five countries to supply other states with the capital needed for their development, an immense impetus was given to production throughout the world, and these five states are now purchasing over £2,000,000,000 of goods per annum from other countries. Indeed, not only do they pay for all these goods, but they are supplying capital to other countries for permanent or temporary use to the extent of nearly £400,000,000 per annum.

In the last seven years the capital subscribed for publicly issued securities in London alone reached £1,400,000,000, and of this great sum £1,100,000,000 was supplied to colonial and foreign countries. The capital raised in France, Germany, Holland and Belgium also attained to great figures.

Who can doubt that, now that the masses in all countries have begun to realize the need of incomes large enough not merely to cover necessary expenditures from day to day, but to give a margin for savings against future misfortunes, the accumulation of capital will be further accelerated? And it is necessary to recollect that production and income expand much faster in proportion than capital increases. By enabling improved machinery to be introduced capital renders labor much more effective.

Indeed, an ample supply of capital brings a treble increase of income: (1) It stimulates invention, by means of which a given quantity of labor produces a much greater quantity of wealth; (2) it provides additional machinery, by means of which labor becomes still more productive, and (3) it encourages the spread of education and by

assisting the laborer to become more intelligent makes him more productive of results.

In the past generation the wealth and income of both Great Britain and Germany have doubled and of the United States have much more than doubled. In the current generation they should again double or more than double, while the wealth and income of some of the younger countries, such as Canada, should increase by 200 or even 300 per cent.

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The World's Gold Production Decreasing.

A FACT that without question increases the demand on us for gold at this time is that the world's gold production, for the first time in years, is showing a small decrease. This decrease happens to coincide with the determination of European banks to build up their stocks of gold—in fact, it is not at all impossible that it may be one of the contributing reasons for that determination.

For twenty years up to 1909 there was a very rapid increase in gold production, and the business world learned to accommodate itself to that condition. But from 1909 increase in the production began to slacken, and in 1912 and 1913 there was an actual decrease. Says Leroy-Beaulieu in *L'Economiste Francais:*

After the tremendous expansion which characterized the last quarter of the century, are we to see the production of gold remain stationary or even fall away as it has done before at different times, notably when from 800 million francs in 1860 it fell little by little to the neighborhood of 500 millions in 1880 and the years following? It is a grave problem which presents itself here.

The three great gold-producing countries still are the Transvaal, the United States and Australia. The most novel and salient point which appears is the diminution in the auriferous production of Transvaal which, from 1912 to 1913, has decreased more than 30 millions of francs. This decrease comes from the famous district of Witwatersrand. Aside from the labor question, the time when, for natural reasons, the production of Witwatersrand will begin to diminsh little by little does not seem far off. The best placer mines are on the point of being exhausted, and it is indisputable that today the yield of the veins is generally growing smaller as they go deeper, so that the deep levels, especially when one gets far enough away from the surface, are far from as valuable as the old mines. There is to be foreseen then in the near future a diminution in the extraction which must gradually take place.

In the United States the production has already for some years had a tendency to diminish. It reached its maximum in 1909 with 4,821,000 ounces, valued at more than 500,000,000 francs ($102,500,000); in 1911 it still amounted to 4,687,000 ounces, or $96,890,000; in 1912, 4,521,000 ounces, or $93,450,000. In 1913 it fell away to 4,271,000 ounces, or $88,300,000. Thus it appears that the deficit reaches almost 12 per cent. under the most favorable year. The falling off in Alaska is the most striking. It is due in part to the exhaustion of certain alluvial deposits; in part to the bad weather which reduced the working season on many placers far below normal.

It is possible that temporarily we must go through a period of stagnant or even decreasing gold production. Our economic organism must become accustomed to it. An annual accumulation of gold which would remain at about 2,000,000,000 francs seems, furthermore, to be amply sufficient for all needs if use is made of perfected and up-to-date methods of payment, such as checks, transfer of debts and clearings, which economize the precious metals without entailing any abuse of fiduciary circulation.

Features of the New Banking Law

Gold Released from Bank Reserves.

A SUBJECT closely connected with Europe's big demands for gold from this country, is the gradual release of gold from bank reserves that will be accomplished by the new Federal banking system. This will enable us to meet European demands much more easily, when once the new system is in operation. To a certain extent, the present outward movement of gold may be considered as "discounting" the condition of increased supply of gold for commercial purposes which will follow the establishment of the Federal reserve banks.

STOCKS AND BONDS.
—Los Angeles Times.

H. Parker Willis, who had a large part in drafting the Federal Reserve Act, touched on this point in a recent address to the New Jersey Bankers' Association:

A most important aspect of the new law in its relation to business is seen in the economy of gold that will be effected under it.

The act makes a very great reduction in reserve requirements and will release a great volume of money after all new needs for the reserves of the Federal Reserve banks have been complied with.

That this will produce some danger of inflation during the transition period—a danger that will need to be carefully guarded against by the best sense of the banking community—is evident. After that period has been passed, the reduction in the amount of gold that must be carried constantly in bank vaults will really be far reaching.

The United States has for many years been obliged by its antiquated banking methods to use much larger gold reserves than any other country in the world in proportion to business done. This was as much a waste as any other unnecessary employment of capital.

* * *

Commercial Paper Under the New Law.

MR. WILLIS also explained the commercial paper situation under the new law, with his customary clearness. The following excerpts from his address may well be read and digested by every business man:

At the present time commercial paper as employed by credit institutions and banks generally includes the following types:

(a) Ordinary notes signed by an individual, firm or corporation and promising to pay a specified amount either on demand or at a stated time.

(b) Drafts secured by documents (bills of lading, etc.), which are discounted by banks and which bear two commercial names.

(c) Ordinary notes signed by individuals, firms or corporations either on demand or on time and protected by stock, bonds or other collateral with a collateral trust agreement.

(d) Ordinary notes of the kind already specified protected by a chattel mortgage on crops and the like.

Investigation shows that of these types of what is ordinarily called commercial paper today the ordinary single-name paper constitutes a substantial proportion. The commercial transactions growing out of or represented by such paper are in general as shown in the following hypothetical case:

A. purchases goods for his fall trade amounting to, say, $1,000,000, from the X. Y. Z. Co., of New York City. These are bought on open account with, say, ninety days' credit. A. gives no paper in exchange for them, the seller having simply his general knowledge of A.'s credit to protect him. The X. Y. Z. Co., however, offers A. a discount for cash within a specified time (say, thirty days), and an additional discount for immediate cash (say, within ten days). In order to get this cash, A. applies to his bank, making a full statement of his transactions and is granted a loan for which he gives ordinary promissory notes. With the funds thus obtained he pays off the X. Y. Z. Co., getting the advantage of the discount, then settles with the bank as the goods are taken up by consumers and paid for. In Europe, however, the X. Y. Z. corporation would have insisted upon being paid by a note signed by A. and would then have sold this paper or discounted it. Or A. might have induced his bank to accept drafts from the X. Y. Z. Co. (properly protecting the institution), in which case the paper would have been an acceptance bearing the name of the bank and the X. Y. Z. Co.

It is desirable to stimulate the growth of true commercial paper of the latter class as rapidly as possible for several reasons. The closing up of the transaction by the giving of the paper is in itself a good thing, leading to conservatism and caution in the business. The tendency of this method is also to distribute loans much more widely, thereby creating a much better and more even division of business among banks. The paper thus created can be sold and traded in and thereby a wider market with much greater competition and consequently lower rates of interest can be secured. . . .

If the business community contents itself

with simply continuing its present methods of operation it will derive great advantage from the law. Credit, even if there be no change in business methods, will be cheaper and more evenly diffused, as well as more steady and more certainly to be counted upon by those who do business by acceptable methods.

But the community will not gain the greatest advantage from the measure if it adheres merely to established types of operation. The new act provides for the creation of a true discount market, such as has existed for many years in every European country. The net result should be: (1) considerable reduction in average rates of interest on commercial paper throughout the United States; (2) very great reductions in the rates in certain sections remote from commercial centers; (3) stability and certainty in distribution of credit; (4) creation of new and more convenient types of paper.

* * *

WHAT ARE YOU GOING TO DO ABOUT IT?
—*Spokane Spokesman Review.*

Where Will Wall St. Get Its Money?

IT will be remembered that the Federal Banking Act provides that commercial paper to be rediscounted must arise "out of actual transactions; that is, notes, drafts and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used or are to be used for such purposes," the Reserve Board to define or determine the character of the paper. This, of course, is to eliminate paper based on speculative transactions, especially in stocks or bonds—an "anti-Wall Street" clause.

In a word, the Stock Exchange will have to get its money from other sources; it gets no help from the new law. But there is no indication that speculators will have any great difficulty in getting money elsewhere. For one thing, the new New York State banking law will help. Its provisions are intended to enable the State banks to compete with the Federal Reserve System. Says the *U. S. Investor:*

New York has reason to resent the purpose, commonly attributed to the authors of the act, of diminishing the importance of New York City as a money center.

There is, in some quarters, ascribed to many national banks of New York a feeling that they had made a mistake in joining the Federal Reserve System at all. They have had opportunity now, which heretofore they have lacked, to study at their leisure the new State banking law of New York in all its possibilities. They find in it many good features which the authors of the Federal Reserve Law have denied the national banks.

What adds keener edge to the regret of these banks that they are not to have similar powers is that they will have, from now on, to compete with State banks which do possess them.

Crops and Rural Credits

A Stupendous Wheat Crop.

ON June 1 the Department of Agriculture found a prospect for 900,000,000 bushels of wheat this year, or nearly half the world's average yearly production of wheat. This compares with 763,000,000 bushels last year, which was a record crop up to that time. Oats, barley, rye and hay were all in good condition, and pasturage showed the surprising figure of 99.8 per cent. of normal, against a ten-year average of 90 per cent., foreshadowing increased sup-

plies of beef and mutton. Other crops are all doing well, except cotton, which shows a rather low condition.

The *Evening Post,* after combing the records, finds that during the last quarter century we have had seven record-breaking wheat crops, and that six of them—namely, in 1891, 1898, 1901, 1906, 1909 and 1912—have been accompanied by increased industrial and financial activity. The year 1913 was something of an exception:

Of 1913, when all of these other wheat yields were surpassed, yet when prosperity certainly did not follow, it is not so easy to draw conclusions. The corn crop shortage was a serious offset; the condition of financial Europe perhaps a greater one. Now, however, comes the prospect of another and an even larger yield, and the precedent of 1913 must at least be measured against the precedents of 1912, 1909, 1906, 1901, 1898 and 1891.

And this year the start is made from a low plane of security prices. Says Adams, in the *Boston News Bureau:*

On the eve of the most bountiful winter wheat harvest ever known the stocks most directly concerned are selling at what only a few years ago would have been called panic prices. Quotations of Pennsylvania, New York Central and Baltimore & Ohio allow for dividend reductions. The old-time investors' favorite, New Haven, is selling at prices which not so very far back would have been deemed impossible. Atchison, confronted by the biggest wheat harvest in its history, is points below the level at which it used to rule as a 5 per cent. and even as a 4 per cent. stock. So the crops this year should not fail to provide a stimulus.

* * *

Rural Credits
To the Fore.

IT will take a great deal of money to finance the movement of such crops as we are likely to raise this year, and the general subject of rural credits will probably come to the front more than ever. The United States is far behind Europe in this field; yet it is doubtful if the semi-philanthropic methods under which money is loaned to farmers in some foreign countries would appeal to American notions. Undoubtedly some plan will be worked out which will enable owners of agricultural lands and produce to borrow on more favorable terms, and when it comes a great step in advance will have been made.

W. W. Flannagan, in the *Bankers' Home Magazine,* presents the outlines of such a plan. Some of his comments are as follows:

Without discussing the reasons, the fact is that real property, though the safest and most secure of all forms of capital, is probably the least readily convertible into money, at its actual value, viewed from an income-producing standpoint.

The legislative problem embraced under the general term "rural credits" seems to be to direct permanent capital, seeking an income, towards the security offered by the landed interests, so that the latter may be developed to the mutual advantage of the holders of both.

The fundamental principle on which commercial banking is established (by which liquid capital is made available) is that the debts of the banks, represented by deposits and circulating notes, are payable on demand.

This principle cannot be followed in the case of rural credit, or land banks, for the reason that the assets of such banks cannot be made to consist of the same class of debts, i. e., of debts which liquidate themselves by reason of short maturities.

Another principle, therefore, will have to be adopted, which is that the debts due to such banks, which will be principally land mortgages, must be convertible into money by finding a ready market, and must therefore be put in such form as the market requires. This market must be found from that form of productive capital which seeks an income through permanent or long-time investments.

HIS TURN.
—*Minneapolis Journal.*

The supply of such capital is ample, and the demand for it from landed interests urgent, so that all that is needed for demand and supply to meet is intelligent legislation whereby the borrower and lender may be brought together on terms of mutual confidence and benefit.

The discussion in Congress and in the press shows there is a large and influential number who are totally opposed to any governmental financial assistance, on the ground that it is class legislation.

If we extend the benefits to be derived from the proposed legislation, to the whole landed interests, to the holder of real estate, whether in city, suburb or country, we remove this objection of class legislation, and if we can make available everywhere to the holders of investment capital a security, which has heretofore been relatively dormant, by giving to such security the life of negotiability, we shall have made in the great march of civilization as forward a step in economic progress as we made in securing personal liberty through the establishment of a democratic form of government.

Is Government Ownership of Railroads Coming?

Effect of the Shreveport Decision.

THE decision of the Supreme Court in the Shreveport Rate Case is, indirectly, one of the most important ever handed down by that tribunal, because it serves to bring to a climax and cement the power of the Federal Government over the railroads. The Court held, in brief, that rates fixed by a State for traffic wholly within that State must give way before orders of the Interstate Commerce Commission when the Commission decides that the State regulations result in a discrimination in interstate commerce.

The immense broadening of the field of the Commission which follows from this decision is appreciated only by practical railroad men. Says F. D. Underwood, president of the Erie:

It isn't the greatest decision that has ever been handed down, but it is a great decision. It does not enhance our railroad income, but it simplifies matters. It does not take away from us, but it lets us settle with one educated, experienced tribunal, as against a mass of politicians and ignoramuses that get into State commissions as a rule.

New York *Times:* To appreciate the far-reaching effect of the decision it is only necessary to reflect that but a small part of railway traffic is entirely within a State. Most journeys and consignments of freight cross State lines at either the beginning or the end. A State which controlled even a few miles at either end or in the middle of the route might make the interstate rate if allowed control of the part within its limits.

Wall Street Journal: If Congress is to regulate commerce among the States, as the Constitution provides, it must keep the channels of communication open. This is not consistent with allowing a State to put any restraint upon that commerce, or to make steps up or down in freight rates at the State border, like so many stiles in a wall. Forty-seven other States could do the same thing, and there could be no freedom of commerce.

"I CAN'T LAY GOLDEN EGGS IF YOU KEEP CHASING ME."
—*Concerning Municipal Ownership.*

Putting the Screws On the Railroads.

WHILE the roads are much better off under one Federal Commission than if they were to be left at the mercy of forty-eight State Commissions, it cannot be denied that they are no longer their own masters. C. B. Kelsey, of Grand Rapids, recently described the situation of the roads very forcibly in a talk before the Rotary Club:

The railroads have done many things in the past that were wrong and it is not my purpose to make excuses for them in any way, but those abuses are beyond their province at this time. If a shipper represented here today wants to get anything out of the ordinary from a railroad, will the railroad grant it? No. Why? Because it can do nothing except on order of the Commission of the National and State Governments. The railroad official is today, practically speaking, without authority. The commission tells him how he shall make up his books of account, how he shall distribute gross receipts. He is not a free agent as you are in your private business. On the other hand, labor dictates what wages shall be paid by the railroads, frequently taking the form of arbitration. These settlements are made without reference to the road's ability to pay such increase, but they are forced by public policy. There is nothing scientific or business-like or fair about such compromises; they are jug-handled.

All this perhaps might be all right if the railroad could make a rate large enough to meet the conditions, or rather the commission make one for them, for it is clearly acknowledged the railroads have no power to make rates the commissions are bound to respect. Did you ever hear of a commission settling a strike? No, that is not good politics. They leave that for the roads themselves. They have unlimited power there, except that they are expected to maintain service, even though they have no employees who are willing to work. For the most part the perpetrators of evil deeds in railroading are now shoveling coal or walking the golden streets in other lands. The present holder of the bag is innocent of most of the crimes charged against the railroads, yet the politician and demagogue find it to their purpose to keep up a howl against the railroads because it is good politics and the railroads cannot fight back.

* * *

President Wilson as a "Philosophical Anarchist."

EX-PRESIDENT MELLEN, of the New Haven, has furnished the public a good deal of entertainment recently and has expressed many shrewd opinions, the result of a long practical experience.

FAILS TO REDUCE.
—Los Angeles Times.

In an interview in the Boston *American* he said:

Public ownership is inevitable and is coming fast in this country, even if all these reforms of which I speak are adopted. The cry against public ownership will vanish when the opportunity for making profits "out of concessions" of the business is gone.

Men like Mr. Brandeis and President Wilson appear to believe that the development of the last twenty years, increasing more and more the size of the business unit, has been unnatural, artificial, promoted by legislative partiality or by partiality in the enforcement of the law. Apparently they deny the efficiency of the big unit.

On the other hand, men like President Roosevelt, Mr. Hearst and others see in the history of our business development a natural tendency which must be recognized and dealt with not by attempting to reverse the ordinances of nature, but by accepting the inevitable tendency and adjusting ourselves to it so that it may be made most serviceable to the greatest number.

I am of the same view as Mr. Roosevelt and Mr. Hearst. It is also, I believe, the view of the Socialists. The Wilson and the Brandeis view is that of the philosophical anarchists.

* * *

Governmental Authority Without Responsibility.

THERE are many others who believe that Government ownership of railroads must come, because capital will

not be furnished by private investors to railroads over which the Government has almost complete control without any accompanying responsibility. Governor Walsh, of Massachusetts, recently recommended in a message to the legislature that the question be submitted to the people whether the State shall take over the stock of the Boston & Maine from the New Haven. This would, of course, give the State control of the Boston & Maine.

Ex-Governor Stubbs, of Kansas, formerly a railroad contractor, favors Government ownership:

He points out that in the year 1913 the railroad companies of the United States received $3,171,000,000 in revenue. There are 20,000,000 families in this country. The average cost of living for these families last year was about $637. It follows, therefore, that $158.50, or 25 per cent. of the total cost of living of each family in the country, went for railroad transportation.

Newman Erb and President Ripley of the Atchison have expressed the belief that the Government must take over the roads. On the other hand, President Willard of the Baltimore & Ohio says:

I do not agree with Presidents Erb and Ripley that time has arrived for government ownership of railroads in this country. Neither do I believe that at the present time there is any general demand for such a radical change. If the only alternative to government ownership were private ownership and management, as exemplified in certain notable instances in the recent past, I might agree that the time for government ownership had arrived, but, fortunately, that is not the situation.

* * *

Putting a Czardom Over the Railroads.

THAT is what the Rayburn Anti-Trust Bill would do, according to Vice-President Brownell, of the Erie, in his testimony before the Senate Committee, reported as follows:

"The members of the commission would become a system of interlocking directors of vaster powers than anything dreamed of by Congress in proposing legislation against interlocking directorates," he declared.

"Would not the provision which gives the commission the right to veto any issue of securities tend to work discrimination?" asked Senator Brandegee. "Would not the result practically be to hand the railroad map of the United States over to the commission with the instruction, 'Here is the present map. It is within your power to say what railroads shall increase their mileage—extend their lines into virgin territory, for instance—and to say what railroads shall be stunted in their growth'?"

"I think that is a conservative statement of what the passage of this section of the Rayburn bill would mean," responded Mr. Brownell. "Indeed, I think it would go much further than that, giving the commission the right to supervise many of the small details of the management of the railroads."

It is certainly pertinent to ask whether investors can be expected to put their money into railroad securities under such conditions, unless the Government also takes steps to assure the investor a reasonable income on his capital. And if legislation drives private capital out of the railway business, public capital will have to take its place—in other words, Government ownership.

* * *

Real Estate in New York and in Chicago.

REAL estate conditions in New York have been so depressing for the last five years that investors have almost abandoned that field of operations. As yet no signs of better things are visible,

MAY BRING IT DOWN.
—Los Angeles Times.

unless it is a little improvement in the activity of the auction market—at relatively low prices, however. But William E. Harmon, the well-known operator, sees hope ahead and is not afraid to put himself on record with the following comparison between New York and Chicago:

A curious characteristic is noted in real estate movements. Unlike securities, such as stocks and bonds, they never take place simultaneously in a number of cities. Real estate booms are distinctly local. Property is high in one city and at the same time low in another.

From 1887 to 1893 Chicago passed through the wildest real estate boom that was ever known in this country. Prices increased from 100 to 1,000 per cent. in these years, while population increased less than 30 per cent. In 1894 the crash came in Chicago, and for fifteen years air castles crumbled and fortunes were swept into oblivion.

Since that time we have kept in touch with Chicago until in 1909, when we made our first purchase, because we felt that the bottom had been reached. Every one was pessimistic. Local real estate agents and newspaper men smiled with incredulity at our faith.

Our first operation in Chicago was put through with great difficulty; our second one went easier; our third and fourth quite satisfactory; our fifth, Belmont Gardens, a half-million-dollar deal, was opened in the middle of last summer, and cleaned out with practically no advertising.

New York real estate has probably advanced somewhere near 60 per cent. over the values of 1902. Its rise was summarily blighted by the panic of 1907. Chicago is growing at the rate of 60,000 per year—New York 150,000 per year. Chicago can spread out over three-fifths of the circle, the Lake Shore making, at this point, a convex curve which stops the growth of the city in an easterly direction.

New York can only extend over one-half of the circle, for the State of New Jersey is to the west, and from this half circle, at least, 25 per cent. is taken up by water, which leaves only 37½ per cent. of the circle available for improvements. To use another set of terms to say the same thing—New York is housing 150,000 new people each year in about one-half the space in which Chicago is accommodating 60,000 each year.

GOING AT THE TANGLE.
—Springfield Daily Republican.

Chicago has not, to the best of my recollection, added a single transportation line, except trolleys, to the transportation system within the past twenty years, while within three years New York will have the most magnificent system of subways, carrying passengers from $200,000 lots to $1,000 lots in from fifteen to twenty minutes. Finally, land at a given distance from the center of New York City is now selling as cheaply as it is in Chicago, a city with less than half the population.

The question is, How soon will the New Yorker realize that the bottom has been reached in land values?

In the opinion of the writer, the two important things to keep in mind are to select property for investment within the five-cent fare limit and on some one of the lines of subways incorporated in the dual subway contract. Every evidence points to the presumption that a dollar invested in real estate in 1914 will bring a greater return than the same sum invested in any security that is offered the public today, but the investor must be patient, and determine to hold on until the full flood tide of speculation has set in.

How to Read a Graphic

Suggestions as to the Interpretation of This Common Form of Statistical Illustration

By WILLIAM T. CONNORS

THE use of graphics or diagrams in presenting figures to the eye of the reader is becoming almost universal in financial and economic periodicals. Their advantage is, of course, that they enable the eye to take in at a glance the general course of any kind of statistics, while at the same time they permit a close and careful study in case the reader wishes to take the time to examine them in detail.

For example, a table showing weekly bank clearings for twenty years would be of formidable size and it would be a task of several hours to study it out enough to get any coherent idea of the changes that have taken place. But all these figures could be plotted on a large diagram and then the diagram could be reduced by photographic process to a length of perhaps a foot, or even less, and it would still be accurate down to the smallest details, yet the eye could take it all in at once and follow the general movement of the figures from month to month, year to year, or cycle to cycle.

THE MAGAZINE OF WALL STREET makes constant use of the graphic method of presenting statistics, and doubtless many of its readers are so familiar with the principles of this form of illustration that any explanation would be unnecessary; but others who have devoted less attention to the subject may not read these graphics so readily, and in some instances might even get a wrong impression from a cursory glance at some diagram.

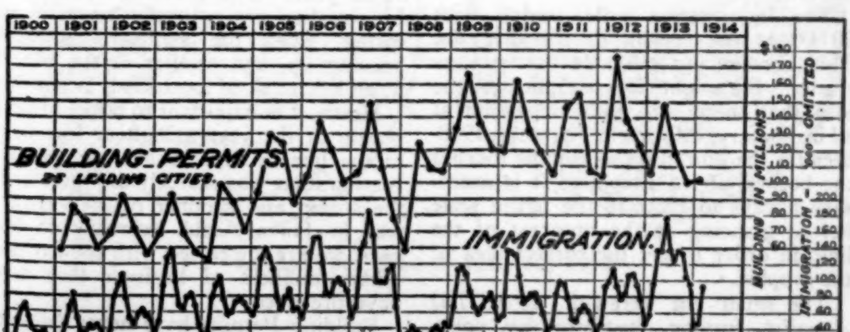
It may not be amiss to explain a few points connected with the construction of graphics and to warn the novice against certain possible errors.

METHOD OF CONSTRUCTION.

I will take as an illustration one of Mr. Brookmire's diagrams covering certain statistics which I believe have not recently appeared in THE MAGAZINE OF WALL STREET—at least, not in graphic form. This presents the figures for Building Permits of twenty-five leading cities, and for Immigration, from 1900 to date.

The plan followed is that which has become customary in all leading publications. The passage of time is represented by the movement of the line from left to right across the page, while the increase or decrease of the figures for whatever class of statistics is being shown, is indicated by the rise or fall of the line. The exact figures are shown by scales at the right or left of the graphic—in this instance, at the right.

The idea is simplicity itself. For ex-



ample, Building Permits, as here shown, have been computed quarterly and a dot placed on the diagram in the middle of each quarter opposite the place on the figure scale which corresponds with the total of permits for the quarter. The original drawing was of course very much larger than the cut as it appears here, and the accurate placing of the dots was aided by faint blue lines close together on the drawing. The color blue photographs white, so that these light lines do not appear on the cut when it is ready for use. Then the dots were connected by straight lines, so that the eye may easily follow the course of the dots.

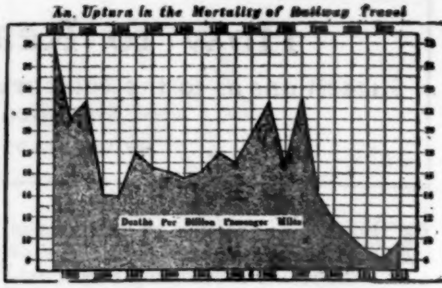
The Immigration figures were plotted in exactly the same way, except that they were taken monthly instead of quarterly. Weekly statistics, even, could be accurately shown on a graphic of this size, by making the original drawing larger and using a lighter line to connect the dots.

Two points are to be carefully noted here. First, the base of the figure scale is hardly ever shown. It happens (probably, though perhaps it may have been intentional) that in this diagram the base of the scale for Building Permits is the bottom line of the diagram. Thus, if all the space under the Building Permit line were shaded, to the bottom of the graphic, we should have a graphic constructed on the area principle. That is, the area of the shaded space would exactly correspond with the total of the Building Permits from quarter to quarter. There would, however, be no special advantage in that method, as it is the rise and fall of the line that the eye follows most readily, not the area of the space under the line.

The Immigration scale begins with 20,000 at the bottom of the diagram. This occasionally misleads the careless reader. He might, for example, get the idea that there was no immigration at all in January, 1902, or in February, 1908 because the line in those months touches the bottom of the graphic. It is necessary always to refer to the figure scale before glancing at the progress of the line, in order to get the correct idea of the graphic.

The small cut herewith, from *The Annalist*, further illustrates this point. The first impression derived from a

An Upturn in the Mortality of Railway Travel



glance at the diagram is that railway mortality was reduced to almost nothing in 1912, but reference to the figure scale gives a quite different result.

The second point to be remembered is that where two or more scales are used on the same diagram, as in this case, there is no proportional relation between the two lines. Early in 1906, for example, the line of Building Permits rises just about as much on the graphic as the line of Immigration; but this fact has absolutely no significance. The two scales are arranged with a view to convenience in arranging the drawing and are not intended to have any special relation to each other unless that fact is distinctly specified.

In this case any proportional relation would of course have been impossible, as one scale is in millions of dollars and the other in thousands of persons; but even if both had been in dollars there would not, as a rule, have been any relation between them.

EFFECT OF THE SEASONS.

It will be noted that these figures, like many others, are affected by the season of the year. Both Building Permits and Immigration are naturally larger in the spring, when the summer's work is opening up, and smaller in the winter, when less work of most kinds is possible.

Hence, it is important to notice at what season of the year a high or low point in the line occurs. When we see that Immigration was scarcely any greater in the spring and summer of 1908 than it was in January and February of that year, we are impressed with the extraordinary dullness of business that must have prevailed.

Building Permits have never failed to rise in the second quarter of the year.

because very little building can be carried on in the winter.

It is possible to apply a "Seasonal Correction" to such figures as these, so as to eliminate (approximately) the fluctuations that are due solely to the change in the seasons. For careful study it is often desirable to do this, but on such a diagram as that here presented nothing would be gained in this way, since the important changes to be considered are mostly those from year to year.

It might be added that since such seasonal corrections are in any case only approximate, it is better not to apply them unless there is a marked seasonal fluctuation in the figures, plain enough to be readily recognized by the eye. The attempt to apply seasonal corrections to all classes of statistics is a refinement of mathematics which may do more harm than good.

It is not really a part of the purpose of this article to comment on the significance of the diagram shown, but it is interesting to note in passing that the year 1907 seemed to mark a sort of climax in the activities measured by these two lines. Immigration has never since been as great as in May, 1907, in spite of the steady increase in our poulation and wealth. And the gain in Building Permits has been small, even in the prosperous year 1912—not more than would naturally be accounted for by growth of population, and probably not so much as that.

The increase in immigration in 1913, a relatively dull year, was partly, at least, due to the Balkan war, which drove from their homes thousands of people of nationalities which now contribute largely to our yearly inflow of population.

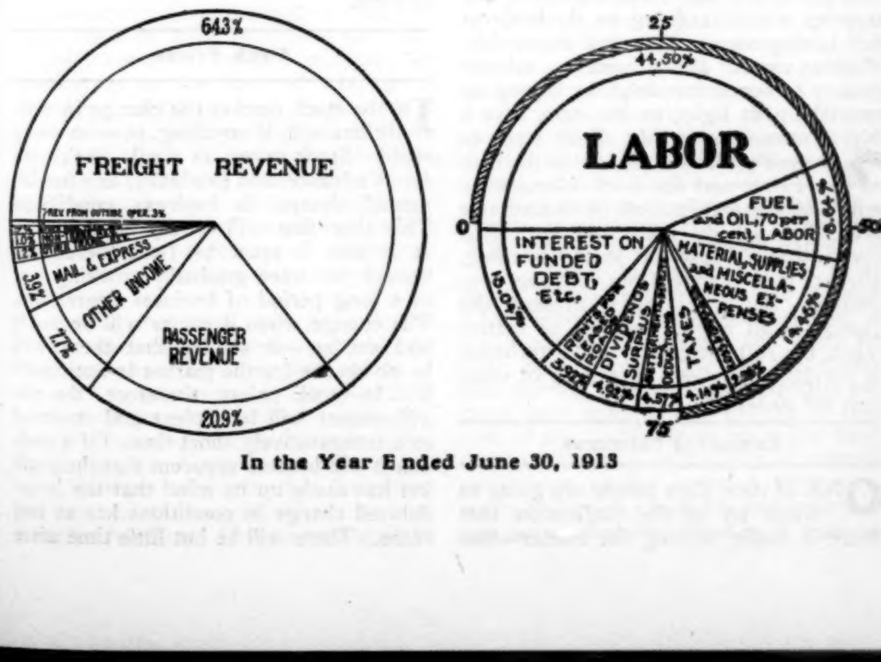
In talking with a very intelligent woman reader of THE MAGAZINE OF WALL STREET, I happened to mention the numerous interesting graphics which it contains.

"Oh," she said, "I always skip those. They look like the drawings that lunatics make on the sides of their cells."

If this explanation helps some readers to perceive the sanity that lies behind the wiggly lines and mountain ranges that ornament—or disfigure—the ordinary graphic, its purpose has been accomplished.

The Railway Dollar

Where it Came from **What Became of it**



In the Year Ended June 30, 1913

Comment and Suggestion

By FRANKLIN ESCHER
Formerly Editor of "Investment"

Psychological

WHAT an unfortunate statement was that of President Wilson, that the trouble with business is purely "psychological"! True, absolutely, and as fair a blow on the head as the nail ever got, the statement has been taken up by the press from one end of the country to the other, misinterpreted, garbled, distorted, ridiculed. In a thousand bitter editorials the President has been held up as a monster—as a man who can't understand business, who will never be able to understand business. A favorite cartoon has been an evicted tenant sitting on the sidewalk surrounded by household goods and weeping children, and entitled "Merely Psychological."

Business *is* bad, and people, as is always the case at such times, wanting a "goat," the newspapers have snapped at this chance of fixing the blame; but what the President said was absolutely true. There are, it is true, important economic changes under way in this country, but nothing which is going to do business any lasting harm. The next time a Mr. Mellen comes along with a scheme greatly to benefit mankind, by buying up everything in sight, or the next time a Mr. Yoakum or a Mr. Reid start to repeat their philanthropies as in the case of the 'Frisco and the Rock Island, they will find the way barred by enforceable laws, but nobody need lose any sleep about that. More or less disturbing, always, is a change from existing conditions. But when, as at present, the change is all in the direction of betterment, the statement that the disturbance is psychological—due to a state of mind —is not so far off.

Conjuring Chimeras

ONE of these days people are going to wake up to the realization that there is really nothing the matter—that they have been conjuring chimeras to frighten themselves and that the fact that the corporations are being made to clean house is no reason whatever why business can't go forward as usual. What are we afraid of, anyway, Smith is going to ask Jones; and Jones is going to reply that he's blest if he knows, and then both Smith and Jones are going to get back on the job and fall to. And the joke of the thing is that when that happens, and it happens in a thousand similar cases all over the country, all the Smiths and the Joneses are going to find conditions remarkably propitious for doing business. The banks will have plenty of money to lend them, they will find, and at low rates of interest. Stocks of merchandise everywhere will be found to have run down to a low point and to need a lot of replenishing. To put business over, and on a large scale, conditions will be *right*.

When will that time come? It's apt to come any time, and almost overnight. We'll look back, then, at present conditions, and wonder how we ever could have let ourselves get into such a state of mind.

Stock Prices

IN the stock market the change in conditions will, if anything, be even more rapid. Stock prices, as a rule, anticipate far in advance, and gradually, any fundamental change in business conditions This time that will hardly be the case. It is not, it must be remembered, as though we were gradually working out of a long period of business depression. The change when it comes will be swift and sudden—so sudden that there will be no chance for the market to anticipate it. In stock prices, therefore, the readjustment will be violent and confined to a comparatively short time. Of a sudden it will become apparent that the market has made up its mind that the long-delayed change in conditions has at last come. There will be but little time after

that to take advantage of what is going on.

Back in January, when for a while a more hopeful feeling began to prevail, the market showed what it could do in the way of a hasty falling into line. And that, as it turned out, was but a flash in the pan, and spotted for that by many of the shrewdest observers. Let it become really apparent that business is over its case of "nerves" and the market will move in a way in which it has not moved for years.

The Wheat Crop and the Railroads

THERE is a good deal of loose talk in the brokerage houses these days about the advisability of buying the railroad stocks in the Granger Group on the strength of the big wheat crop. Nine hundred million bushels of wheat, is the cry—go ahead and buy Atchison or St. Paul or M. K. T. or almost any of them. They're all sure to show big increases in earnings.

Now it would be the greatest sort of a mistake to belittle the importance of a wheat harvest such as the one in sight; but, on the other hand, it is just as foolish to let fancy run riot with what the wheat crop means to the earnings of these railroads. There is just one big railroad in the country, in fact, the Omaha, whose percentage of grain tonnage to total tonnage runs as high as twenty per cent. To pick out a few random examples, the proportion in the case of Chicago & Northwest is 9½ per cent.; in the case of the Atchison, 8½ per cent.; in the case of the St. Paul, 12 per cent. Missouri, Kansas & Texas and Kansas City Southern, two roads whose business is generally spoken of as mainly dependent on the crops, have a proportion of grain tonnage to total tonnage of less than 7 per cent.

Granting that these roads are going to get a considerably larger tonnage of grain this year than they ever got before, it does not by any means follow that their total earnings are going to show any startling increase. Suppose, for instance, that a road like Northwest carries 25 per cent. more grain this year than last, when grain constituted roughly 10 per cent. of its entire business. In total tonnage that would mean a gain of just 2½ per cent. Not enough to get very enthusiastic over.

Buying Power

WHERE these roads *are* going to benefit from the big wheat harvest is, as a matter of fact, not so much from an increase in their grain tonnage as from the resulting prosperity of the sections of the country they serve. Last year the wheat crop broke all records and this year the yield promises to run fully 20 per cent. higher. For that part of the country where the crop is produced, this year's big harvest, coming on top of last year's, means prosperity in the fullest sense of the word. It means the development of a buying power which will make itself felt from one end of the country to the other.

For the railroads leading toward and into the grain country this means business—far more business than will be derived from the handling of the crops themselves. Months after the last bushel of wheat has been shipped out of the Northwest there will be flowing back into that section of the country a constant stream of miscellaneous merchandise purchased with the proceeds of the crops. Nine hundred million bushels of wheat raised on an acreage but little greater, and, consequently, at but little more expense than last year's 764 million-bushel crop, means that there is going to be a good deal of money to spend. It is foolish to imagine that that is going to make the railroads rich, but it is enough to draw the attention of the intelligent investor to the securities of corporations located in that part of the country.

Readjusting the Trade Balance

WHERE the big wheat harvest is going to count is in bringing about a readjustment of the foreign trade position—where readjustment is badly needed. For years and years we have been going along on the theory that our big balance of merchandise exports over imports was enough to take care of any indebtedness we might have on the other side in the way of interest on foreign capital invested here, payments to foreign steamship and insurance companies, etc., etc. And so it was—as

long as the merchandise balance kept up. But lately it hasn't kept up. Far from keeping up, the credit balance has, during the past couple of months, disappeared entirely, and has, in fact, given way to an actual balance against us. We are importing more merchandise now than we are exporting.

Without any balance on merchandise account to offset what we owe abroad in the way of interest, freights, etc., the foreign position is in a bad way—in so bad a way that in payment of our foreign obligations, gold is pouring out of this country at an almost unprecedented rate.

The big wheat crop will help to straighten out things in that direction. There are nine hundred million bushels of wheat in sight and the consumptive demand for wheat in this country is well under seven hundred million bushels. That means that of the extraordinary crop now being harvested, pretty close to two hundred million bushels will be sold abroad and exported.

Making the fullest allowance for whatever decline in wheat prices is likely to take place as a result of the big supply, it is plain enough that the money value of this year's wheat exports is going to run into big figures—into big enough figures, probably, to swing the trade balance back to the right side of the account.

"Who Runs May Read"—or Vice Versa

AT present prices many of the "standard" dividend-paying rails look attractive, but there is one thing that the man who buys them wants to guard against, and that is the idea that because they have sold at certain high prices before, they are going to sell there again. In the conditions governing the market for securities of this kind, it must be remembered, there has been a permanent change. If you look back to see why in 1905 or 1906, this stock or that registered its "high," you will find that it was either on the expectation of some "deal" or in anticipation of some big "special disbursement." There will still be "deals" among the railroads and extra disbursements will still be made, but not as in the olden days. To too great an extent have these properties passed under the supervision if not the outright regulation of the government. "So much shalt thou earn and no more." That to too great an extent, rightly or wrongly, as you happen to look at it, has come to be the general attitude toward the railroads.

To a greater degree than most people appreciate, the standard rails have been taken out of the speculative class. It is no longer a question of what this magnate or that may decide to do with some railroad under his control or of what hidden assets may be piling up, unknown to any but the insiders. The game is more fair and aboveboard these days and he who knows how to analyze the value of a railroad stock may do so—the facts and figures are all there and he who runs may read—or vice versa.

ERIE RAILROAD

Interesting Facts About It

From July 1, 1901, to July 1, 1913, there was expended for additions and betterments over $90,000,000.

It required 12,632,532 freight train miles in 1902 to move traffic yielding revenue of $28,325,288.

It required 12,954,533 freight train miles in 1913 to move traffic yielding revenue of $44,345,739.

In twelve years the tons of all freight carried increased from 30,784,442 to 45,566,935 tons; gross revenue per mile of road from $19,000 to $26,300, and the tractive power of locomotives from 32,000,000 to 46,000,000 pounds. Gross operating revenue in 1902 was $38,409,225; in 1913, $59,465,185. Gross operating and other income in 1902 was $41,147,154; in 1913, $68,781,171. Comparing 1902 with 1913 shows increase in gross operating revenue of 55 per cent.; of train load, 61 per cent., and freight train miles, 2.5 per cent.

In January, 1914, of the 999 miles between Chicago and New York, the company had 49 miles single track, 886 double track and 64 miles four tracked.

The Art of

Interpreting Financial Conditions

By G. C. SELDEN

XII—Copper and the Minor Cycle

IT would naturally be expected that copper metal statistics—price, production and stocks on hand—would be of considerable aid to us in forming an opinion as to future business and investment conditions.

The figures are regularly compiled and are given wide publicity. Copper is used in new construction in quite as large proportions as steel and under normal conditions we should expect that a study of the demand for and supply of copper would shed important light on the rise and fall of business activity and prices.

The value of the conclusions to be drawn from copper is, however, seriously interfered with by the fact that, especially in the past, the market for this metal has been much subject to various kinds of manipulation. Copper production has been in comparatively few hands and it has been possible to control prices and supplies in a way to influence the stock market. Speculation in copper warrants in London has also interfered at times with the normal movements of the price.

We cannot, therefore, place as great weight on copper as on steel and iron in our studies of business conditions; but the subject is well worthy of discussion, for we want at least to know how much weight to give it, or whether we must ignore it altogether as not subject to the same general laws as affect other leading commodities.

Moreover, since 1908 the copper market has assumed a more normal tone than was the case previous to that year. Beginning with 1909 the Copper Producers' Association began to give out United States production and stocks on hand month by month. This gave us approximate figures on the world's monthly stocks—not complete, of course, but showing general tendencies pretty plainly. As a result, figures for the world's production and consumption year by year are now much more accurate than before.

Again, the great increase in production resulting from the development of the "porphyry" or low-grade ores has tended to broaden the copper market and to make manipulation more difficult. South America and Mexico, also, will before long begin to give us a still larger and more widely distributed production. So that, everything considered, copper statistics are now more complete, broader and more worthy of credence than ever before, and cannot well be ignored.

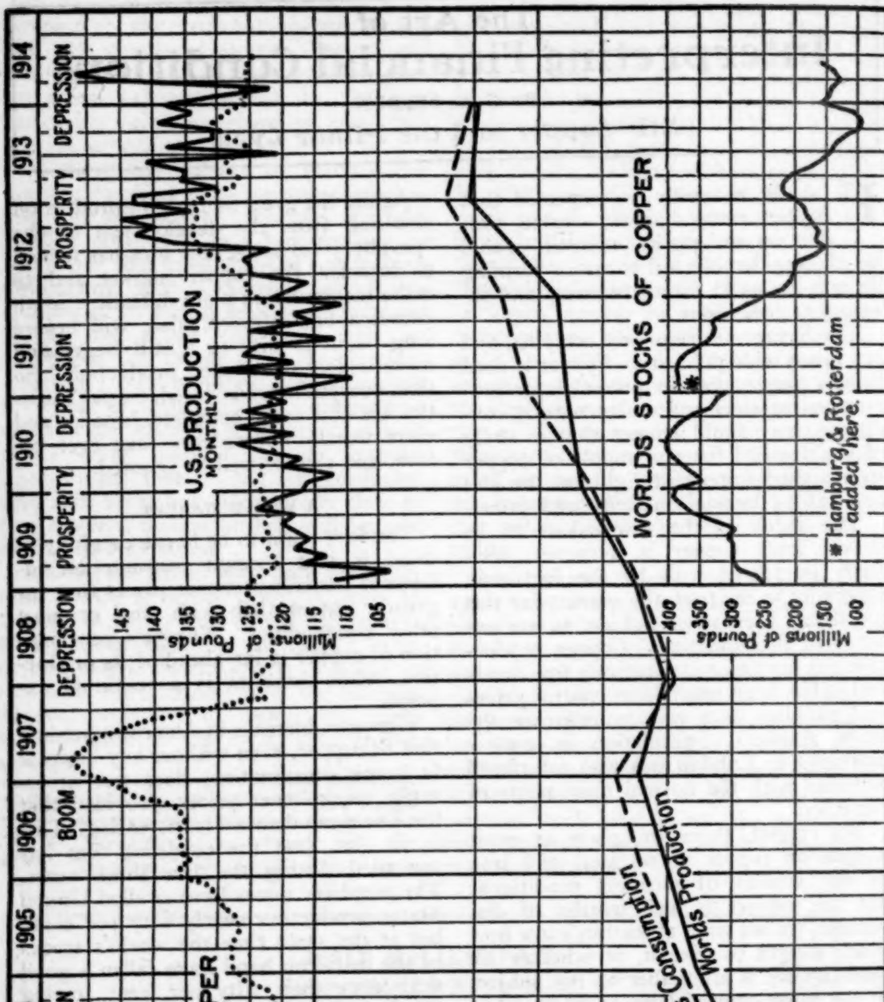
A WORLD MARKET.

The first point to be borne carefully in mind is that foreign consumption influences American copper prices to a far greater extent than with steel or most other commodities. Europe's consumption of copper is far ahead of its production, while America is a continual exporter.

Hence an increase in American production of copper, even without any increase in home consumption, does not necessarily mean lower prices, provided that the European demand is increasing. This is, in fact, just the condition that has prevailed during the last three years. The porphyry mines have swelled United States production nearly fifty per cent., but at the same time the world's stocks of the metal on hand have fallen a good deal more than fifty per cent., owing chiefly to big European consumption.

For example, turning to the diagram herewith, we see that "World's Consumption" began to forge ahead of "World's Production" in 1910, was very much greater in 1911 and 1912, and was still in excess in 1913.* This pulled down the world's stocks of copper from about 400,000,000 pounds in the middle of 1910 to less than 100,000,000 pounds in the latter part of 1913, although the copper stored at Hamburg, Rotterdam and

*These figures are taken from "Statistische Zusammenstellungen über Kupfer," issued by Aron Hirsch & Sohn, Halberstadt.



1902
1903
1904
1905
1906
1907
1908
1909
1910
1911
1912
1913
1914
PROSPERITY
DEPRESSION
BOOM
DEPRESSION
DEPRESSION
PROSPERITY
PROSPERITY
DEPRESSION
DEPRESSION
PROSPERITY
DEPRESSION
DEPRESSION
Cents
PRICE OF COPPER
U.S. PRODUCTION
MONTHLY
Millions of Pounds
WORLDS STOCKS OF COPPER
Millions of Pounds
* Hamburg & Rotterdam added here.
Tons
Worlds Consumption
Worlds Production

Bremen had in the meantime been added to the figures.

The explanation of this situation was to be found abroad. Europe did not recover from the depression of 1908 as quickly as we did on this side. We had a short period of active business in 1909 and 1910, followed by a depression in 1911; but in Europe business gained slowly and gradually, remaining relatively dull during 1909 and becoming active in 1911, 1912 and the first half of 1913. Supplies of copper on hand grew abnormally large during European dullness, to the middle of 1910, but on the other hand fell to an abnormally low point in 1913.

ECCENTRICITIES OF THE PRICE.

The price of copper has not followed the general swing of prices of other articles during the past dozen years, as will at once be seen from the diagram. In 1902, amid general prosperity, copper was low. It was higher in the depression of 1904. It rose to its highest point in the boom of 1905-6 and fell in the panic of 1907; but it did not sympathize at all with the advance in other prices in 1909, and did not decline in the depression of 1911. In 1912 copper acted in harmony with the general swing upward, but the decline in 1913 and 1914 has not been as great as in other similar commodities.

The erratic movement of the price of copper is best observed by comparing it with pig-iron, as shown in the graphic last month. Pig iron was nearly as high in 1902 as it was in the early months of 1907, while copper was actually less than half its 1907 price. In short, iron has moved in harmony with the minor cycles throughout, while copper has not.

Conditions surrounding the copper market have changed and it may be that in future the price movement of this metal will appear more normal; but I should want further evidence of this fact for several years before beginning to place much confidence in it as a direct aid in judging business conditions. In this line of work it is not safe to jump at conclusions.

PRODUCTION.

It is equally true of production that it has been more influenced by conditions outside the regular swing of the minor cycle than by those within it. Production fell off in 1907 and 1908, remained about stationary during 1910 and 1911, rose rapidly in 1912 and reacted somewhat in 1913. In 1914, in spite of generally depressed business practically all over the world, the United States production of copper has risen above all previous records.

The conclusion to be drawn from all this is that owing to the limited supply of copper, to manipulation previous to 1907 (and to a less extent since that date), to the opening up of the various porphyry mines, and to the rapid growth in the demand for copper due to electrical development and to the increase of armaments, the special features affecting the price and production of copper have outweighed the more general influences of expanding and contracting trade. As a result, the study of copper statistics aids us but little in tracing the swing of the minor cycle.

Taking the copper situation by itself, we have no difficulty in reaching certain broad conclusions.

We notice, for example, that copper has not fallen below 11 cents at any time during the dozen years shown on the diagram—in spite of all panics and depressions and in the face of world's stocks three times as great as they are at the present time. In view of this fact, we are safe in saying that a price of 14 cents now, with world s stocks about 150,000,000 pounds and with new uses for copper growing day by day, is low. Any further decline would necessarily be temporary.

We may also conclude that the present large production of copper in this country does not menace the price and will not begin to do so until world's stocks have shown a considerable increase from the present figure.

THE COPPER SITUATION.

Nearly every one who makes a serious study of the copper situation reaches the conclusion that, in the long run, the demand for the metal is bound to grow faster than the supply. This is, of course, a cheerful thought to the holders of the securities of the big copper-producing mines.

The increasing production in this country has been due mostly to the

porphyry mines, but this source of increase is about exhausted, since no important new bodies of ore are available. The present porphyry mines will continue large producers, but the discovery of new deposits is unlikely. Some previously known large deposits, especially in South America, will gradually be brought on the market, but probably not faster than the demand will take care of the increase.

Of the present world's stocks of about 150,000,000 pounds, only a part can really be counted as surplus. Daily consumption of copper is estimated at about 7,000,000 pounds, so that the entire stock represents only 21 days' supply. Every refinery and every dealer in copper must carry a certain supply on hand. He could not under any circumstances permit himself to run out entirely.

Again, a considerable part of the European stock on hand—which is roughly two-fifths of the whole—is unrefined metal against which warehouse receipts have been issued. This would not be available for immediate use.

The conclusion is inevitable that the world's stock of copper cannot fall much below present figures. With general business all over the world decidedly below normal, stocks of copper are showing very little increase, and the possibilities for greater production are strictly limited.

With a normal revival of general business, therefore, higher prices for the metal appear to be a certainty and this will necessarily help the securities of those companies which have an ample supply of ore and can mine it economically.

(To be continued.)

BASIS FOR INTERPRETING CROP CONDITION REPORTS

THE equivalent of 100 per cent. of a normal condition in terms of prospective yield per acre, for crops in the United States, is estimated as follows, the figures being based primarily on averages of the last five years, with modification where such averages are unduly influenced by abnormal years. The approximate yield per acre indicated by the condition report of any month is obtained by multiplying the equivalent of 100, as given below, by the condition percentage. For example, if the condition of corn on October 1 be reported 75 per cent. of normal, the indicated yield per acre would be $35 \times 0.75 = 26.25$ bushels.

Estimated equivalent in yield per acre of 100 condition.

		Estimated equivalent in prospective yield of a condition of 100 (normal) on—					
		May 1.	June 1.	July 1.	Aug. 1.	Sept. 1.	Oct. 1.
Corn	bushels	....	....	31.8	33.5	34.7	35.0
Winter wheat	do	18.6	19.5	19.7	....	....	....
Spring wheat	do	....	15.3	16.6	17.4	18.0	....
All wheat	do	....	18.0	18.6	....	....	....
Oats	do	....	35.4	37.1	37.9	38.4	....
Barley	do	....	28.6	30.2	31.3	31.9	....
Rye	do	18.3	18.4	18.5	....	....	....
Buckwheat	do	....	....	....	23.8	24.7	25.6
Potatoes	do	....	....	115	124	129	132
Tobacco	pounds	....	....	965	1,006	1,021	1,004
Flax	bushels	....	....	10.1	10.6	11.0	11.3
Rice	do	....	....	38.5	38.5	38.8	39.2
Hay	tons	....	1.62	1.70	1.65	....	....
Cotton	pounds	....	232	232	234	260	280

BOND DEPARTMENT

Which Are the Cheap Bonds Now?

Easy to Find Some That Should Show Fine Profits Later

By FREDERICK LOWNHAUPT, Author of "Investment Bonds," etc.

THE present situation in the bond market is not altogether unlike that when the ancients started out to make a world-wide search for the golden fleece. After they had wandered many years, returning home they found it right at their doors.

For months a lot of investors have been "on the look-out" for good things in the bond market. They have been asking their brokers and investment bankers not to fail to advise them whenever something appeared to look good and something from which a good income could be derived and also something which held strong possibilities of appreciation in the market. They have been waiting and wishing and looking for "good things," "bargains" and the like, all the while neglecting to make a study of the conditions existing and especially of some of the most likely securities one could ask for.

On a following page the investor can see what has happened to his securities which he has held for years. The average price has gone far down and the rate of return has increased perceptibly on the average, that is, to the investor who buys them now. In the graphic there is the plainest hint to the shrewd bond buyer that could possibly be given in an impersonal. There stands the fact that in six years the standard bonds have fallen nearly twelve points on the average and have recovered but very little of the recession.

There is cold comfort for the man who has held his bonds through this gruelling decline. There is an enthusiastic invitation to the prospective buyer to get on the "wagon" and hold the bonds for a fine rise.

This is not an ultra optimistic prophecy. It is the calm judgment of study of the situation, knowledge of the movement of prices, and appreciation of the fact that economic factors cannot but work out in the near years to bring about an upward movement in bond prices. For instance, the better outlook for the railroads is already having some effect on their bonds. With prospects of better earnings not only through some increases in rates but because of the tremendous crops to move shortly which will have an indirect effect on all other lines of industry, what is to hinder the appreciation in bonds? We will not ask the question but will make the assertion here that within a year, certainly within eighteen months, a whole group of railroad bonds which have fundamental soundness under them will show handsome profits.

Go through the list and compare their prices today (June 12) with that of June in any previous year for the past six years. The year 1912 was a miserable year among the railroads. The next year hardly much better. Within the past eighteen months a number of dividends have been suspended, others cut and some prospective ones forgotten. Yet nearly all during this time many of these railroad bonds were much higher in price.

In 1912 and 1913 money conditions were a very vital factor in the situation. In 1914 and it is expected all through 1915 the money situation will show the very opposite from conditions prevail-

ing in those years when stringency and uncertainty existed all around. In and of itself this is sufficient to raise the general level of bonds for some time to come, since high grade bonds have already felt the force of these conditions and they always presage the coming of similar conditions in other securities of a little less character.

On these premises let us look at some of the bonds that invite the investor to buy for both income and profit.

There are the Southern Railway Development 4s. They sold as high as 85 in 1909. At that time interest was being earned on them somewhat over twice the required amount. In 1913 it was earned nearly four times and the company had the benefit of many millions of new money into the property and the development of five years' growth. Now the bonds are in the early seventies. Furthermore, fixed charges, which is the criterion of bond values to a considerable extent, actually went down in the four years because the company paid out of earnings a large part of its maturing notes. All this it did and more. It maintained its property in fine shape. Yet these bonds are selling more than ten points under the price when the company was far from what it is now.

Then the Erie bonds offer chances to get an appreciation of several points. The convertibles, general lien and prior liens all are several points under their prices of a few months ago, and more than that from their high prices in 1909 or early in 1910. The same that has been said of Southern applies to Erie. Better road, now double tracked practically complete, it earned in 1913 over eight millions above its fixed charges, and is doing well in 1914. Every consideration of equity and condition of the property from an earning standpoint points to the Erie bonds as among those which are sure to catch the tide when it moves upward strongly.

Another place for the investor of something more than straight laced conservatism is in St. Louis Southwestern Consolidated 4s. They are now around 70. They are more than ten points under former prices. The first fours are around 84, also ten points under other days. Here is a road that in 1913 earned its fixed charges once and a half over, one that has been maintained in good shape and whose earnings have progressed in marked fashion over a series of years. With the crop situation before it, the possibilities of the Panama Canal developing traffic to and from it and the improvement in the railroad situation, what is to hinder these bonds having a rise of six or more points in the next year and a half?

St. Louis Iron Mountain and Southern underlying bonds are also attractive. To be sure, it is a part of the Missouri Pacific, which just now is not in any too good position, but the bonds of these roads are underlying securities and the Iron Mountain is the backbone of the Missouri Pacific system, so that they stand in a particularly strong position for that reason. They are many points under previous figures partly because of general conditions and partly because of the conditions existing in the system. They should be in a better position and will be so once the air clears. The investor who takes the best of the Iron Mountain bonds and holds them for a while should have no cause for regrets. He will be near enough to the rails, as the bond men say, and far enough away from the Missouri Pacific trouble to give a position that should work out finely not so long off.

While speaking of bonds on roads which are not acknowledged among the elite it would not be out of place to mention the St. Louis San Francisco refunding fours. Here is a bond of which there are comparatively few outstanding, and which has a position close to the property. Yet because it happens to be the obligation of a road which is in receivership, not because it is fundamentally weak, but because of its sapped strength by poor relations, it suffers in consequence. To be sure, it is now understood that the July interest coupon will not be paid on these bonds, but it will be a charge against the bond, and some day the money will be paid. The Frisco, shorn of its unfortunate relations, can do well. It will take a while to convalesce from the

drain that has been made on it, but the elements of recuperation are there.

Likewise the Cleveland, Cincinnati, Chicago & St. Louis general 4s are also worthy of consideration. They were close to par five years ago, and are now down around 76, about a twenty point drop in that time. Such a depreciation is always traceable to good reasons. The road had to cut its dividends and has not been enjoying the best of health. Nevertheless, it earned a comfortable margin over its fixed charges in 1913, a bad year, and in 1912, a worse one, had a large margin over. It has suffered more in proportion in its reduced net earnings than many roads, but its gross has kept up pretty well, showing that once control of operating expenses is had or increased revenue gotten, the income account will show new life. There is not such a great amount of risk in these bonds, but a large chance for profit.

Then when we take up such bonds as Denver & Rio Grande Refunding 4s and Chicago, Rock Island & Pacific Ry. debentures, we get more concrete cases where the chances for appreciation are worth considering. The latter perhaps more than the former. Denver suffers from poor relations, and the drain of the past few years. Of itself it could do well, having much more than its requirements for bond interest, but it has a millstone about its neck in the form of the Western Pacific, whose bond interest it meets almost entirely. The Rock Island situation should not hurt the debentures much. In another place it is shown why they should be attractive for the investor who is looking for something to profit by on the next rise.

Add to these the Missouri, Kansas & Texas issues, which are suffering also from the poor showing of earnings that the company has made, and from the fact that it uses so large a part of tis net earnings to meet fixed charges, and the Kansas City Southern, along with various other issues that might be named, and there is no excuse for the alert investor not choosing as a part of his holdings some issues that will involve little risk and large possibilities of profit.

There are bonds which are low in price but not cheap. They would not be cheap, some of them, at half the price. There are others, like some of those mentioned, which are both cheap and low. If there is anything which the careful student of the situation in railroad bonds believes, it is that they will see some handsome advances in the coming months. Those mentioned are sure to come in on the tide to a greater or lesser extent.

Hints for Investors

BECAUSE there is one strong feature about a security it does not redeem several poor ones. The investor should look to the security that makes a good all-round showing rather than one which has some particular feature that stands out so prominently as to overshadow all others.

THE average condition of a company over a period of years is no satisfactory guide in considering the worth of its securities. The unevenness of earnings in some companies, especially industrial concerns, is proof of the wisdom of not giving too much weight to an average statement. Each year by itself, and the trend of earnings is a better guide.

BONDS of the same class of corporation vary greatly because the same conditions seldom exist in any two companies. There is no rule which fits the bonds of any two companies. Therefore, study each case separately.

A GOOD investment for anybody is that which fits the circumstances, and depends on how much capital one has to invest, how much can be put away and other considerations. Wise selection gives all these matters attention.

Standard Bonds

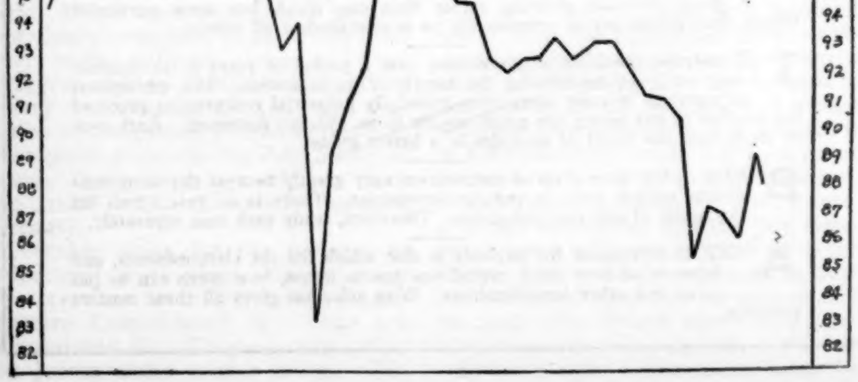
Range of Average Price of Twenty-five Railroad Bonds 1904-1914

THE accompanying graphic representation of the movement of the average price of standard bonds is interesting, to show the almost constant decline of the price for about nine years now. There were some very high prices of individual bonds recorded a few years before 1904 when 3½ per cent. bonds of some of the older railroad systems were selling around par and when some municipal bonds were selling below a three per cent. basis.

In this picture the investor gets a clear idea of what has been happening to his income for a decade. His interest rate has been yielding him a definite amount, but the constantly depreciating value of his security has cut that yield down in large part.

Now the question is whether those people who have held their bonds for ten years will if they hold them another period of ten years see them recover in price to the point at which they bought. That could be answered if anyone could say whether the cost for new capital is to go down. Money is loaned on three or four average rates. There is one rate for the call loan, another for commercial paper, another for time loans and the fourth for long time capital. This last is the most expensive. Ten years ago it was cheap and all the others as cheap in proportion. Or at least then the rates for all these kinds of borrowing were more nearly together. Now they are quite wide apart ofttimes.

Possibly the cost of getting new capital will go down. Then this average line of bond prices will creep upward, possibly reaching the 1905 point. This much may be said for the consolation of the long time investor who sees frightful losses on his principal under present conditions that he can reasonably expect the level of bond prices to rise to the 1909 mark within the next ten years or before.



Paragraphs About Particular Bonds

Comment on Issues That Drew Attention in Recent Trading

Republic Iron & Steel 10-30yr. 5s.

THEY will soon be a first mortgage issue. It looks as if the company would accomplish its wish to make its 10-30 year bonds a first mortgage some five months before they would have become such under the earlier plans. On October 1 next the company intended to call the first mortgage bonds at 105, thus making these 10-30 year bonds a first mortgage. Under the new plan the bondholders get their money some five months earlier.

The company wants to get its financial plan simplified as much as possible and therefore counts on doing the bulk of its financing through the medium of this 10-30 year mortgage. The first of these bonds came out in 1910. It is only natural that after these bonds become a complete first mortgage their position in the investment market will be improved. The earlier this happens the better, since with these bonds in that position the credit position of the company would be improved which would be a great aid in future financing.

There is an issue of about $3,000,000 notes due in about a year which it is hoped by the company can be refunded by the sale of these bonds. If this can be accomplished the mortgage will then become first on the entire property. The state of the investment and money markets at that may make it altogether possible to do as hoped.

International Mercantile Marine 4½s.

Around the middle of June there was a noticeable improvement in the market position of these bonds. It was attributed to the favorable tenor in the decision of the United States Supreme Court, placing the plea of the White Star Line, Mercantile Marine's principal subsidiary for limitation of liability under American Admiralty Law. From the low of 48⅞ just prior to the court's decision on May 25, the bonds advanced within a week to 54½, around which level the bonds have held rather strongly. The bonds are secured on all the property of the company subject to a considerable amount of underlying liens. There are about $52,744,000 of these bonds outstanding against an authorized amount of $75,000,000. A critical analysis of the value back of these bonds shows that the property values carried on the balance sheet are much in excess of reasonable figures. The Mercantile company being a consolidation of a number of companies, done in years gone by, has a tremendous capitalization. These 4½s will for a long time to come be a bond of highly speculative character.

St. Louis San Francisco Refunding 4s.

On July 1 these bonds, of which there are $68,562,000 outstanding, will require semi-annual interest of $1,371,000. There will be a default. What the consequences will be is now interesting the bondholders. A few months ago the court said that if some sort of a reorganization were not effected by May 1, 1914, default on the bonds would be caused on the grounds that the money was needed for the property and rentals. All the bondholders wanted the court recently to allow the receivers to issue receivers' certificates to pay the interest, but the court was strongly opposed. If the interest is not paid on these first and refunding four per cent. bonds when it is due on the first of the month, it will put the receivership and reorganization proceedings in a very different light than heretofore. These bonds ranged in price since the first of the year first up and then down a little between 78 and 71.

Western Maryland First 4s.

One of the sickest issues in the whole New York Market is this one of the Western Maryland 1st fours. Their technical position with respect to the property seems to be of little help to them

in their market experience. They suffer acutely and precisely in proportion as the company shows up. On steadily declining earnings the bonds have persistently gone down. They are a first mortgage on the property and have no bonds following them, but in spite of it all they are among the weakest on the list. There are, of course, some notes outstanding which have valuable property for security. There is no trading in them and when there is they break badly on any offering of any reasonable amount. On March 6, 1908, they were at 49. Recently they were at 66.

The story is all told when it is realized that the last fiscal year's net earnings available for the purpose were $415,000 less than fixed charges. The current year to end June 30 has been even worse. Bad gross earnings, good maintenance of the property, correction of the sins of former managements and such like combined, which is the history of the past fiscal year, show themselves indelibly in the market estimation of the worth of the bonds.

Brooklyn Rapid Transit Refunding 4s.

The conversion privilege on these bonds expires June 30. This leaves only a few days in which holders have an opportunity to make their exchange par for par for B. R. T. 6 per cent. stock. The bonds will probably lose several points in market value after that. Pretty good evidence that this will happen is in the fact that some of the underlying bonds of the B. R. T. much better in their position and value are selling at a higher return than these convertible which seem to hold their higher price and lower return by reason of the fact that they have the call on the stock which yields much more than they. Around 92 the stock yields about 6½ per cent. while the bonds around 90 yield less than 4½ per cent. A few days ago the underlying bonds were selling at a 4.80 basis. If these convertibles come up to that return it would make their price around 83.

There seems to be every reason why the bondholders will convert all their bonds before the time expires. They will otherwise see around seven points drop off the market price and instead of getting more than 6 per cent. which they can if they take stock, they will get a little over 4 per cent. The company has conditions in its favor strongly and with the clearing away of these convertible bonds will be in a position to do broader permanent financing in a way more desired.

Rock Island Debenture 5s.

An investment house mentioned elsewhere has the following timely comments on these bonds: "The decline in these bonds has been much greater than is warranted and a substantial appreciation will take place when the strength of their position is understood. These bonds are an obligation of the operating company. The effect of reorganization of the system will not only work to the detriment of the holder of these bonds but will result in the creation of additional value back of them. These debentures are not at all concerned in the raising of reorganization money nor can any assessment be levied on them. In view of the fact that in 1913 the interest on these bonds was earned approximately five times over, a default is too remote to receive consideration. They were issued at 97½. In 1913 the high price was 90. The high price so far this year (to June 1) has been 80½. Their current price is 71½ and their yield 8.5 per cent. They should show a profit of ten points within a reasonable time."

Bond Market Topics

The Gist of What Was Said and Done During the Month

High Grade Bonds Strong Recently—Others Declined.

If there has been any clear and tangible evidence of the state of disturbed mind existing all over the country and especially among investment buyers, it is the action of the bond market over the recent weeks, in fact over the past six or eight months. It is not only an evidence of the perturbation which seems to be general but is almost a phenomenon. Seldom do you see one class of bonds declining or vice versa, and another going directly contrary to their course. The general course is parallel.

Yet we have been observing just this state of affairs lately in seeing the high grade bonds go up slightly because of their being particularly sought and on the other hand seeing the medium and lower grades going down.

The average investor does not take the maxim "When in doubt do nothing" literally all the time. For months he will wait, but at last when he moves he will take the least dangerous course which at this time seems to be to go into high grade bonds at the sacrifice of some little income. As a result high grade issues have lately been strong with good buying and in some instances a bare market resulted for certain issues, while on the other hand the lower grades have declined perceptibly.

All this of course has been good for the railroads and other corporations who have been waiting for many months to float some of their better bonds at something higher than pawnbrokers' prices. Witness the St. Paul bonds which just came out and the advertisement of smaller or larger lots of others of a similar character. This will perhaps work out for the very best interests of the bond market all around since the longer the demand for this class of bonds continues the stronger a foundation it builds for the larger and broader market when that sets in.

Preventing an Unfortunate Incident in the Bond Market.

What happened over the past few weeks in the Missouri Pacific case is pretty good evidence of the fact that the banking people are not overanxious to have unteward incidents occur unnecessarily.

Here was the Missouri Pacific on the verge of default, apparently on its notes due June 1. What with the poor condition in the stock market and the general uncertainty existing all around it needed but the receivership of such an important railroad as this to make matters much worse.

Had the road been permitted to default on these notes the result for increasingly bad sentiment in regard to things in general could not well have been estimated. The best people in the investment business knew that and the solution of the problem presented was found at least for a year when it is believed the investment markets will have worked out to such a condition that the road will find some more easy way of financing itself than by paying the terrific price it would have had to pay had the notes been refunded straight on May 30 last.

Bond men all through the investment market were fearful that the results of such a default would upset things to some extent. They waited hopefully for the announcement that the worst had been prevented. It will be recalled that several years ago the Erie was saved from default on its large maturing note issue for just the same reason.

The financiers are fully alive to the fact that it is not at all good to have a large road like the Missouri Pacific default in this way. It sometimes puts a complexion on things much worse than they really are.

Short Term Notes for the Past Six Months.

Stocks have their big times when everybody is feeling good and optimistic—when everybody believes larger dividends will be earned and when they think business will continue to go on uninterrupted or unaffected for some time to come. Bonds have their big market generally after the stock market is well under way and good cheer and confidence have been begotten by the action of the stock market or possibly when stocks are not quite so popular. Short term notes generally have their turn when both stocks and bonds are not enjoying the fullness of interest that should be theirs or when the outlook is most pessimistic or at least a good many people think it is. Usually this good time in the short term note market is the unfailing index of the condition in the money market.

Just how to analyze the past six months is no easy task. It is clear that stocks have done nothing. Bonds have done fairly well. But short term notes have done very well. They reflect a considerable amount of uncertainty that has been felt in the money centers possibly as to the business outlook, but certainly as to the outworking of the new banking system.

Short term notes are largely absorbed by financial institutions. It is clear that over the past six months some factor has caused a strong tide to run to these short term notes which indicated that many wanted their money coming back at not a distant time. Money has been plentiful which, of course, has been the second factor in the note market and which has caused a steady advance since the first of the year. In December last notes were low; then they went up some. In August last they were very low. Since the first of the year there has been a great and steady advance.

Whether purely monetary considerations or other matters have worked the greater influence in the situation is an open question. So strong has been the market that only the farther away maturities have remained on something like an investment basis while the earlier ones have gone practically to a money rate basis.

Bond and Stock Businesses Contrasted.

The movements of the stock market and the bond market over the past few months give additional proof of the fact that the old time rules by which it was believed the markets moved have gone. In other words, history is not repeating itself, which it has done so many times previous.

In past times when the stock market was dull the bond market was also dull and when either of them was moving along strongly the other was doing almost likewise. Yet this must be qualified somewhat for there were times when the bond market was doing about opposite to the stock market action.

It was commonly accepted as an axiom of the investment markets for many years that when the stock market was weak and declining in prices the bond market was either to have a good time in the near future or would be actually in a period of betterment. It was an old theory that the reason for this was the fact that when people were being frightened by the decline in stocks they would go into bonds with the beneficent results on the whole market. And it often seemed to be the case.

Over the last few months, however, stocks have been almost dead, while bonds have been doing rather well. Except for the momentary suspension of business, due to the scare incident to the Mexican imbroglio, the bond men have been doing a fair business right along. Yet they have been cutting down their expenses as much as possible. In January they had a spurt, then there was a flat period of a few weeks and now again they are doing good business. Now it seems to be due as much as anything to the July interest money that will come along shortly.

Psychology no doubt plays a large part in the hesitation of stocks while it enters not so much into the movements of the bond market. Buying good bonds is proper at any time regardless of politics and a few other things that are bothering the average investor not a little now.

Investment Literature of Interest

Available for distribution to investors on request

PAMPHLETS

Purpose and Work of Investment Bankers' Association of America. An address by the president of the association outlining what is being sought to be done by the association for the protection of investments and investors and the broadening of the field. An illuminating statement of this good work. Investment Bankers' Association of America, Chicago, Ill.

Investors' Almanac. A handbook of information for those who are interested in the problems of personal investment. A financial calendar, glossary of terms, a resume of principles underlying the best investment practices, tables, charts, etc. A. B. Leach & Co., 149 Broadway, New York.

How to Select a Good Bond. Valuable pointers about selecting the banker, the qualifications of the right banking organization, accuracy of its bond circulars, legal work connected with the bond, the engineering work, the accounting work together with the value of the investment bankers' recommendation. N. W. Halsey & Co., 49 Wall St., New York.

Be a Bondholder. Questions and Answers on $100 Bonds. The first a booklet discussing the fundamentals of holding bonds with a good deal of educational information. The second a comprehensive treatment of the interesting points about these small bonds touching on many questions arising in connection with this denomination of investment. Beyer & Co., 55 Wall St., New York.

Railroads and the Necessity for Higher Rates. An illuminating article with much statistical information together with charts of earnings of a considerable number of railroads, all discussed fully and concluded in a summary of the case showing that the railroads need additional revenue badly. Henry & West, 1417 Chestnut St., Philadelphia.

The Public, the Investor and the Holding Company; Municipal Ownership of Public Utilities; Future of Public Utilities. Three booklets containing the addresses of Messrs. Francis T. Homer, Arthur Williams and Thomas N. McCarter respectively as a part of the Public Utilities Course before the Finance Forum of the Young Men's Christian Association in New York. Each a comprehensive discussion of the subject given and highly valuable for those interested in utility investments. William P. Bonbright & Co., 14 Wall St., New York.

NEW ISSUE

$6,000,000

THE AVERAGE AIR, BRASS AND SCOOP COMPANY

LAST MORTGAGE SICK PER CENT. SINKING SPELL
SERIOUS OLD BONDS

Dated, February 29, '23. Due, December 25, '00.

Interest payable Thanksgiving and Memorial Days

Authorized Issue: $6,000,000 Outstanding $12,000,000

JESSE JAMES, Trustee

Having sold over one-fifth of this issue, we raffle off this remaining portion, subject to allotment.

We summarize from the letter of Frank Jones, President of the Company, copies of which may be had upon supplication.

1. The bonds are secured by cancelled checks, defaulted notes, Confederate money and bills payable, the former value of which is estimated to be worth largely in excess of this issue.

2. The Company obligates itself to keep at all times net quick liabilities of not less than $18,000,000 or 300 per cent.

3. Earnings of the Company for the year 1913 have not as yet shown up, but they are expected to pay the State tax about twice over.

4. A sinking spell will be created by the bonds, which it is estimated will expire all of the bondholders by 1916.

5. Proceeds from the sale of these bonds will be used for the sole purpose of increasing salaries, increasing the bills payable and reducing the bills receivable.

6. This Company and its officers have been engaged in deceiving the public for 75 years and have never yet had a profitable year nor failed to levy an assessment.

7. Bonds drawn by the sinking spell are not cancelled, but kept alive for the benefit of increasing the fixed charges.

8. This issue is followed by the Federal authorities at Washington.

9. In case these bonds should pay their first interest before maturity, the Company reserves the right, upon two days' notice, to foreclose on the bondholders and seize the issue.

10. A further element of strength is found in the fact that no more bonds can be issued under this mortgage, and must be deposited to secure the outstanding stock.

11. The stock of the subsidiary, known as the Canning and Separation Plant, will be deposited with all accrued assessments, which is added peril to this mortgage.

12. Books closed April Fool's Day between 2 o'clock. The Company reserves the right to allot more bonds than is applied for.

Application has been made to unlist this issue from all exchanges.

We recommend these bonds as a destructive investment for all those with incurable disease and those paying alimony. Price 100 and interest. Mexican money.

Accrued interest is to be added to the above prices.

DOEM & SKINNEM

Dated, Tomorrow. Bunkers, Everywhere.

The contribution of a bright bond man to "liven the dull days."

Practical Talks to Investors

VII—You Cannot Safely Forget Your Investments

ONE of the greatest fallacies among investors is that after having bought some bonds that they think or are told are thoroughly all right and measure up to a very high degree or standard of safety they may lay them away in their strong box and do little or nothing else for the many years ahead but cut the coupons.

Some of the saddest people today are just of this kind. What about those for instance who years ago, not so many at that, put away securely the Rock Island Collateral Trust bonds which are now selling more than forty points under their price of several years ago. There are some who have just wakened up to the fact that they stand in danger of an assessment on their bonds and will have to wait a very long while to get back for the bonds what they paid for them.

There are other just as frightful illustrations. Hundreds of investors suffer in such a collapse as happened to the Rock Island bonds, but only a few of them have great losses because they laid the bonds away and believed that all would be well forever with them. The others possibly sold out when their loss was moderate.

You cannot lay even the best bonds away and forget them unless you are willing to take the chances of great loss. Suppose someone had bought United States government bonds over ten years ago and left them untouched until now. He would be out a large amount of depreciation which these bonds have had. They are just as safe as ever, but they are far down in price from that time.

All of which goes to show that two big things operate for or against a bond and they are two things that must be considered. Any investor that ignores them puts himself in a most exposed position and may wake up to find that he is much poorer by his neglect. If he is going to guard against great loss he must look over his bonds once in a while or have some one else report on the situation with respect to every security.

What he must look for is a change in the affairs of the company whose obligation his bond is. Some of the best companies fall into trouble. Missouri Pacific bonds, for instance, stood very much higher than they do today. That company once was supposed to be in the strongest position, yet it fell into adversity. Dozens of such illustrations might be mentioned which would emphasize the point. If this be so with railroads it is worse with industrials. They must be watched even more. Many a bond never becomes really bad but it suffers unpleasant depreciation through untoward circumstances arising for the company. An investor on the alert checking up prices of his securities at the moment with what he paid for them can see at a glance that something is happening. He can then investigate to find whether it is time to sell his bonds. It might turn out to be something wrong developing with the company or it might be just a general market slump due to more general causes. Whatever it proves to be he knows something is happening and is in a position to take steps to protect himself from further loss. It is not much work and requires no training to merely compare prices.

Most everyone knows there is nothing absolutely safe, so many buy the highest class securities. Few seem to realize, however, that there is absolutely nothing immune from depreciation also. To guard against heavy loss from this direction is the principal reason for urging every investor to keep an eye on his bonds all the time.

Bond Offering

Recent Investment Offerings of Merit

Chicago, Milwaukee & St. Paul.

$30,000,000 4½% General and Refunding mortgage bonds due 2014. Secured by lien on all the properties of the company including equipment subject to some $184,421,000 prior liens for which bonds under this present mortgage are reserved to refund. On about 2,026 miles of Puget Sound lines the new bonds are really a first mortgage through deposit of about 85% of the Puget Sound 1st mortgage bonds which the St. Paul held. With the present bonds the total outstanding funded debt in the hands of the public is at the rate of $36,960 per mile over all. There is outstanding $116,274,900 preferred stock and $116,348,200 common stock, the preferred paying 7% and the common 5%. For the year ended June 30, 1913, earnings available for interest were $31,523,542 against fixed charges of $13,382,797. Offered by Kuhn Loeb & Co., and National City Bank at 96¼ to yield 4.66%.

PUBLIC UTILITIES

Increased Rates for Public Service Corporations

By ALLEN G. HOYT

THE ordinary customer of a public service corporation makes only one demand of the company, and that demand is for good service.

The standard of living is constantly rising in this country. People in general are better fed, better clothed and better housed than ever before. Food, living quarters and clothing of the quality which satisfies the average man cost more than they did a few years ago, but wages and salaries are higher and this generation insists upon more of the comforts and conveniences of life than did the preceding generation.

As the standard of living has risen, the people, unconscious, perhaps, have demanded a better quality of service from the public utility companies.

No longer may a gas company provide a poor, weak gas, nor an electric company a current providing an unsteady flickering light with occasional interruptions of service. Street car companies must keep their cars clean, well painted, run them over smooth road beds and furnish reasonably frequent service.

Successful operators of public service corporations bend every effort to render service of a high quality not only because they realize that good service tends to increase earnings, but also because they know the people demand good service and that through public service commissions or in some other way, they will find a means to enforce their demands.

But to keep pace with the requirements of their consumers, the public service corporations must be liberally provided with funds for capital expenditures. Not only are most communities, served by public utility corporations, growing constantly in population, but the business of the companies is increasing at even a more rapid rate. Each year sees more and more families abandoning the coal range for the more convenient gas stove. Electricity is more and more generally supplementing gas for lighting. Even the earnings of street railway companies show a higher ratio of increase from year to year than does the population of the communities served by them.

But operators of gas and electric companies cannot provide enlarged plants, additional mains, services, or transmission lines, or other facilities needed to take care of a growing business, unless they are supplied with funds to meet the cost of such expenditures and usually funds may be raised only in one way, i. e., by selling securities.

Many public service corporations have had great difficulty during the past few years in selling securities in sufficient volume to meet their capital requirements. Unfavorable financial conditions resulting in stagnant markets for stocks and bonds have made it difficult to raise capital for almost any purpose. Public service corporations, although especially favored in stability of earning power, even in times of business depression, have found it anything but easy to obtain the capital they have required.

In most states, public utility companies are subject to regulation by public service commissions. The power vested in these commissions usually gives them not only the right to regulate the service rendered by the corporations, but also to fix the rates which the corporations may charge for their services. Thus the commissions have it in their power to decide how much the corporations may earn. In other words they determine just how profitable an investment in the securities of the corporation shall prove.

Generally speaking it has been the policy of public service commissions, in fixing rates, first to try to determine a fair valuation of the property of a public utility corporation and then to establish rates, under which the corporation might earn a reasonable interest return upon that valuation. Difficulties have arisen where the capitalization of a corporation has varied greatly from the valuation placed upon the property by the commission. When the capitalization is grossly excessive the return upon that capitalization will inevitably prove very meagre.

Proper corporation financing involves the sale by the corporation from time to time of both bonds and stock. No corporation can finance extensively by borrowing, that is by issuing only bonds. Should it attempt to do so there would come a time when the equity represented by the stock would equal too small a ratio to the bonded debt and the company would find its credit practically destroyed. In other words its bonds would be unsalable.

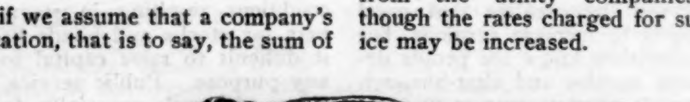
Public service corporations, which require additional capital from year to year, must if they would enjoy good credit preserve the equity behind their bonds by selling stock from time to time.

Even if we assume that a company's capitalization, that is to say, the sum of its bonds and stock outstanding, closely approximates the valuation of its property as determined by a commission, the company may have difficulty in selling additional stock at a satisfactory price, to provide in part for capital requirements, if the commission determines that the company may earn on its property and hence on its stock only a "reasonable interest return." A common stockholder in almost any ordinary corporation occupies a somewhat hazardous position as far as his investment is concerned. He assumes the burden of whatever risk there may be in the enterprise. If for any reason the earnings or success of the company is adversely affected, the value of his security is depreciated. Capital is not likely to be forthcoming for the purchase of common stocks of corporations, unless there is offered, as an offset to the risk involved, the possibility of making a substantial profit.

Public service commissions, reflecting the public will, demand sufficient, adequate and satisfactory service from public utility corporations. Correlative, they must allow rates to be charges which will enable the companies to make large enough profits to attract the investment of capital in their junior securities.

The limitation of earning power based upon a theoretical reasonable interest return on the estimated investment value of a company's property will not long be tolerated if such a limitation prevents the company from financing the expenditures necessary to enable it to render good service.

As our people in general insist upon enjoying a higher standard of living as far as food, clothing and shelter are concerned than ever before, notwithstanding the increased prices compared with those obtaining a few years ago, so they will demand the best of service from the utility companies, even though the rates charged for such service may be increased.



The Utility Holding Company

A Few Facts of Importance to the Investor

By A. ST. GEORGE JOYCE

OF $8,000,000,000 invested in electric light, power, gas and street and interurban railways in the United States, it is estimated that approximately $5,500,000,000 is represented in holding companies. There is about $2,000,000,000 invested in electric light and power companies alone, and of this total about 76% is controlled by holding companies. Artificial gas companies represent a capitalization of $1,000,000,000 and of this total, approximately 67% is in holding companies. Electric railways represent an investment of about $5,000,000,000 and nearly two-thirds of this sum is controlled by holding companies.

It is apparent, therefore, that holding companies operating Public Utilities are a very important factor for consideration by investors. They have grown to such importance that some of our national legislators appear to regard them with suspicion and there is under consideration even now a bill fostered by the Administration which aims to "regulate" these corporations. To these legislators the term "holding company" is synonymous with "monopoly." In a sense, holding companies are monopolies—natural monopolies, they have been called by some of the State regulatory commissions. The term is appropriate.

As a "natural monopoly" the Public Utility holding company differs materially from a similar corporation in the industrial field, for example. The latter seeks to obtain control of the manufacture and sale of a certain commodity and then, through this monopoly, to put on the commodity prices which are usually exhorbitant but which have to be paid for the reason that there is no effectual competition in that particular field.

The Public Utility holding company has no such basis of operation. The market for electricity cannot be effectively "cornered." In the electric light field recourse may be had to gas, candle-power and oil while in the industry of power supply, gas engines and steam power must be reckoned with. The idea of a holding company is not to enter a particular locality and monopolize all classes of utilities to the exclusion of any competitor. As a rule the separate corporations affiliated with the holding company are located in distant towns and the territory covered is widely scattered. Through this concentrated management, cost of operation is reduced to a minimum; plants are combined and construction work is standardized; the individual enterprises are run with a minimum amount of capital and depreciation charges are materially lessened. The different communities served enjoy more efficient service than could be given by an isolated system; there is a stronger system of financing; each of the subsidiary companies has the benefit of competent executive, engineering and operating staffs and the distribution of the business over a large territory "averages the risk" and secures the holding company against irreparable damage from purely local causes.

The advantageous conditions under which a holding company operates, tend to increase the attractiveness of the enterprise to the investor. Centralized management influences the economy of decreased cost of capital and operation. With its numerous sources of income, the holding company is not appreciably affected by business depression in the individual localities. Drawing income from various subsidiaries, the extent of the stability of earnings of the holding corporation is apparent.

It is apparent that many of the small towns served by constituent companies, would be without adequate facilities for light, power and trolley transportation if the establishment of utility systems were left entirely to their citizens. The

business in many of them would not warrant expensive outlays for equipment and operation. It is hard to influence capital to flow in the direction of an individual project designed to serve a small community, for the reason that the revenue from such a source is based usually on prospective rather than established earnings.

Through expert supervision the holding company can stimulate the business of its various subsidiaries and at the same time eliminate many of the expenses which could not be avoided if the properties were separately owned and managed. It can sell its securities in markets whose doors are closed to individual public utility corporations. Hence money can be obtained without large brokerage commissions and at the lowest rate of interest. These and the numerous other advantages enjoyed by the holding companies and their subsidiaries revert in the end to the patrons of the public utility companies, as they permit rate reductions in many instances and insure modern service in towns which, under ordinary conditions, could not support an individual system of any type.

Price Range of Three Classes of Bonds

Periods of depression do not have serious effect on the earnings nor the bonds of public service corporations. A confirmation of this is to be found in a table of prices of three classes of bonds. These are typical examples of the market range of three classes of bonds—railroad, municipal and public utility—from 1907 to and including 1913. In railroads and municipals the price trend is shown to have been downward, while in the case of the public utility securities the trend has been upward or there has been steadiness, with no loss.

It will be noted while the average of the railroad bonds in 1907 was 94 and 89 in 1913 and the average of municipals in 1907 was 96⅛ and 92¼ in 1913, the average of the public utility bonds in 1907 was 98½ and in 1913 98⅞.

There are only a few of these, but they represent the trend fairly.

Railroad Bonds

	1907.	1908.	1909.	1910.	1911.	1912.	1913.
Chic., Mil. & St. P. Gen. Mtg. 4s, 1989	101⅝	101⅛	102¾	99⅛	98¾	97¾	94⅛
C. B. & Q. Ill. Div. 1st Mtg. 3½s, 1949	86⅝	88⅞	91	88	87¾	85⅞	83½
Chic. & Northwestern Gen. Mtg. 3½s, 1987	92	92⅛	92	88½	86½	85¼	82⅛
N. Y. Cent. Reg. 3½s, 1997	88⅝	90⅞	92⅜	89⅞	88½	85½	83⅛
Nor. Pac. pr. Lien 4s, 1997	97⅞	101⅞	102¾	100¾	99¾	99⅛	94¼
Union Pac. 1st Mtg. 4s, 1947	96⅝	100⅝	102⅝	100⅞	101⅛	100⅜	96¾
Average	94	96	97¼	94⅜	93¾	92⅜	89

Municipal Bonds

	1907.	1908.	1909.	1910.	1911.	1912.	1913.
Phila. 3½s, 1934	95½	97¼	96½	94⅝	94⅛	93¼	90⅞
N. Y. City 3½s, 1952	85⅝	88¼	90¼	88¼	87¾	86	83
Balt., 3½s, 1945	97½	94¼	99½	96	93	93½	89½
Louisv., Ky., 4s, 1930	101½	99¾	102	100⅞	99¾	101	98¾
Atlantic City, N. J., 4s, 1930	96¼	96⅛	97⅞	96½	96¾	97	95⅛
Minneapolis, Minn., 4s, 1927	100	102⅜	102¾	100¼	98¾	99	96½
Average	96⅛	96⅜	98⅛	96⅛	95	95	92¼

Public Utility Bonds

	1907.	1908.	1909.	1910.	1911.	1912.	1913.
Com'nwealth Elec. 5s, 1943	98⅜	98⅛	102⅞	101½	101⅝	102¼	100⅞
Laclede Gas Co. 5s, 1934	102¼	100⅝	100½	102	101½	101¼	99¾
Cons. (Wil.) Rys., Lt. & Pr. 5s, 1932	97½	97½	98¼	98½	98	98	98
Elgin, Aurora & So. Trac. 5s, 1916	95½	96	100½	98¾	98⅞	99½	98½
West. Un. G. & E. 5s, 1950	98½	94	98¼	98½	96¾	99⅛	98⅛
West. Penn. Rys. 5s, 1931	98¾	97⅝	99¼	98⅞	99½	101	97⅞
Average	98½	97⅜	100	99⅝	99⅜	100¼	98⅞

INVESTMENT DEPARTMENT

INVESTMENT: The placing of capital in a more or less permanent way, mainly for the income to be derived therefrom.

Vital Facts About International Harvester

By RICHARD D. WYCKOFF

WHEN man first began cultivation of grain, he no doubt tore it up by the roots when harvest time came. Later he learned that by striking at the bottom of the stalks with a thin but strong stick, he could cut it off, thus reducing the amount of labor necessary to its gathering.

Back in the stone age, he improved this method by utilizing curved flint rocks, sharpened on the inside. Early European history tells us that he finally evolved this crude sickle into one of bronze which would hold an edge.

Sickles and scythes, the latter being the favorite instrument of Father Time, were the chief harvesting implements up to 1826, when a clergyman, the Reverend Patrick Bell, of England, invented a machine for reaping grain. This consisted of a series of scissors set on a knife-board and so arranged that the blades would clip in unison. When this appliance was pushed along over a field of grass or grain a much wider swath could be cut and the labor was greatly reduced.

In 1831, C. H. McCormick completed what finally evolved into the present form of mower and reaper. This consisted of a set of triangular knives, working back and forth in a slot between what are called "fingers" on the knife-board of the machine. McCormick was therefore the first in the field of practical harvesting machinery. By the late 70's improvements were perfected which transformed reapers into binders. These would gather the grain up into sheaves and bind them with wire.

The McCormick family, of Chicago, were the most prominent people in the business and in 1879 they organized a $2,500,000 corporation for the purpose of manufacturing harvesting machines. The stock was all held by the family. The McCormick Company was not alone in the field, its principal competitor being a co-partnership which afterward became the Deering Harvester Company. Prior to consolidation, these two concerns were making very large profits, while a number of small companies were making fair profits.

In 1890, an attempt was made to establish a general consolidation of harvesting machine companies. This deal fell through. From that time until 1902, competition was severe, but the profits realized by the principal companies showed that it was not destructive.

The original International Harvester Company was organized in 1902, being a consolidation of the five principal harvesting machine companies in the United States, viz., the McCormick Harvesting Machine Company, Deering Harvester Company, Plano Manufacturing Company, Warder, Bushnell and Glessner Company and the Milwaukee Harvester Company. At the time of organization, these companies manufactured 90 per cent. of the total number of grain binders in the United States and about 80 per cent. of the mowers, which were the two chief kinds of harvesting machines.

After organization, the company began to acquire its principal competitors, some of them secretly. This, it is claimed, was

due to the fierce competition which existed at the time, described more like guerilla warfare than anything else.

In 1912, the company's proportion of the total number of the harvesting machines manufactured in the United States was: Grain binders 85 per cent., mowers 73 per cent., rakes 75 per cent., binder twine 60 per cent., corn binders 32 per cent.

The original owners of the companies, which were consolidated, are still the largest holders of the Voting Trustees Certificates. When the government's suit for dissolution under the Sherman law was started, the three voting trustees, Cyrus H. McCormick, Chas Deering and George W. Perkins, held 63 per cent. of the certificates. Directors were: James Deering, Vice-President; John J. Glessner, Vice-President; William H. Jones, Harold F. McCormick, George W. Perkins, William L. Saunders, Charles Deering, chairman; William J. Lauderback, Cyrus H. McCormick, president; Thomas W. Lamont, John J. Mitchell, Norman B. Ream, Edgar A. Bancroft, John A. Chapman, Elbert H. Gary, Richard F. Howe, Thomas D. Jones, John P. Wilson.

Harold F. McCormick is a son-in-law of John D. Rockefeller. Relationship with the Morgan-Rockefeller interests give it the exceptional financial resources which constitute one of the chief sources of its power. In 1911, Mr. Rockefeller loaned the company $7,000,000 on short term notes, at a rate of 6½ per cent. In order to conduct a harvesting machine business on a large scale, these enormous credit resources are necessary, for the company must carry millions of dollars worth of farmers' notes issued in payment of implements bought on credit. These resources also make possible maintenance of a very elaborate selling organization, and the two foregoing factors contribute to a large output at a very low cost of production.

The company owns iron ore properties in Minnesota, the Wisconsin Steel Company, where excess iron is converted into more steel than it requires for its own use, also extensive coal and lumber properties; so that it produces its own raw materials and gathers the profits therefrom. This gives it another important advantage in cost of manufacturing. For example, the average cost of binders for the years 1910-11 combined, compared with those of its competitors:

	Int. Harv. Co.	Independents
Factory cost	$50.32	$70.83
General and Miscellaneous expense	2.25	5.35
Total	$58.57	$76.88

This low cost of production gives its selling organization an important advantage over competitors.

The terms on which the company sells its products to the farmers are more liberal than those of manufacturers of any other goods they buy. Ploughs and spring tools are sold on short time or for cash, but harvesting machines are sold one-third in the fall of the year the machine is purchased, one-third in the fall of the following season and one-third in the fall of the second season. Hence, a farmer who buys a machine in the spring of 1914, will have the use of it in three harvests before it is finally paid for.

THE DISSOLUTION SUIT.

In pursuance of a resolution of the United States Senate, the Commissioner of Corporations was, a few years ago, instructed to begin an investigation into the affairs of the International Harvester Company in order to ascertain whether there existed, among local dealers in farm machinery, a healthy competition. As a result the government claimed that:

(1) At the beginning of its career, the International Harvester Company occupied a monopolistic position, controlling 85 per cent. of the country's output.

(2) The organization terminated a long period of severe competition.

(3) The combination was arranged by former owners of the respective plants for the purpose of eliminating this competition.

The government's contention is that this organization and its methods of conducting business are in violation of the Sherman anti-trust law. One cannot read the report of the ex-commissioner, Luther Conant, Jr., of the Bureau of Corporations—a report of 384 pages—without being impressed as to the

strength of the government's position.

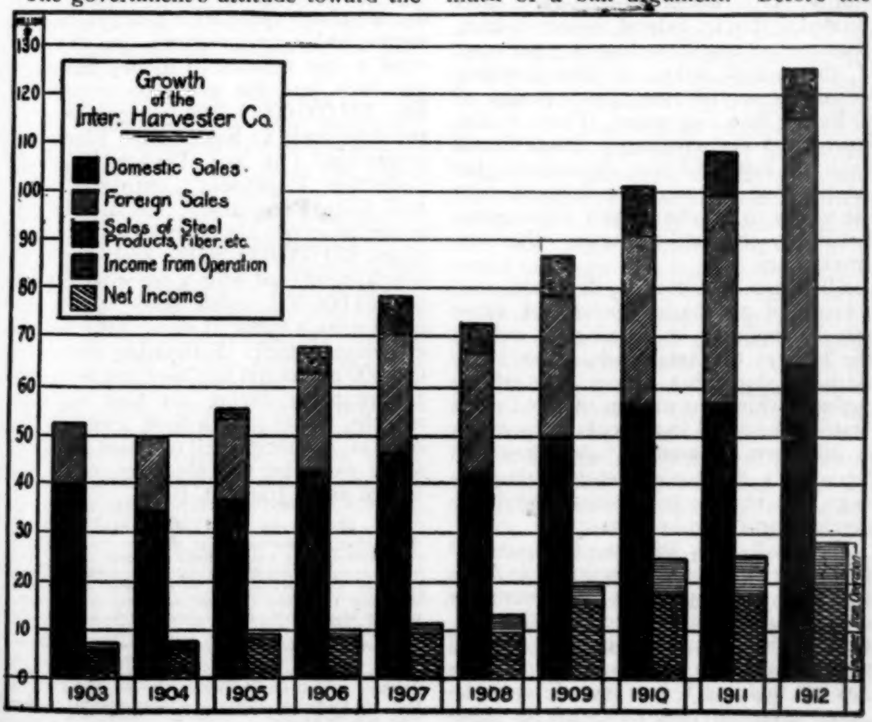
The company's officers claim that since organization the company has established no unreasonable prices; no reduction of wages; no over-capitalization; no excessive profits; no oppressive trade methods; no plants closed; no limitation of the production of raw material; no deterioration of quality. None of these claims seem to answer the charges set up by the government, which are summarized in the conclusion of Mr. Conant, as submitted to the President: "It appears, therefore, that the International Harvester Company's position in the industry is chiefly attributable to a monopolistic combination in the harvest-machine business, certain unfair competitive methods and superior command of capital."

After considering, as well as a layman can, the Supreme Court decisions in the Standard Oil, the American Tobacco and other anti-trust law cases, we feel rather confident that the government will win this suit and that the International Harvester Co. will be dissolved.

The government's attitude toward the dividing of the old company into two corporations, is shown in the following extract taken from Mr. Conant's report: "Recently, on account of this suit, the company has been split into two corporations, one of which, the International Harvester Co. of New Jersey, retains the old harvesting-machine plants and related business; the other, the International Harvester Corporation, takes over the new lines and foreign business. Each of these concerns is capitalized at $70,000,000. If this is intended as part of a plan for ultimate disintegration of the combination, in the opinion of the Bureau it is unsatisfactory."

Whether dissolution, if it comes, will affect only the International Harvester Co. of New Jersey or both companies, is impossible to say. The government may set aside the formation of the International Harvester Corporation, and order the disintegration of the company as formerly constituted.

Experience shows that enforced dissolution of a rich corporation is very much of a bull argument. Before the



Standard Oil disintegration any one with a few inside facts could have figured the book value for Standard Oil of New Jersey at practically double its market price at the time. This value has been proven by the wholesale melon-cuttings which followed the Supreme Court decision. In a smaller way this same situation exists in International Harvester.

EFFECT OF THE NEW CURRENCY LAW.

In the March issue of THE MAGAZINE OF WALL STREET, Haliburton Fales, Jr., explained the effect of the new currency law on the International Harvester Company and other agricultural implement concerns. This law permits Federal reserve banks to discount notes, drafts and bills of exchange issued or drawn for agricultural or commercial purposes, or the proceeds of which have been used or are to be used for said purposes. These papers are to mature within a period of six months. The bill also provides that National banks not situated in a central reserve city may make loans secured by improved and unencumbered farm land situated within its federal reserve district, to an amount not exceeding fifty per cent. of the actual value of the property offered as security, and for a period of no longer than five years. There is also a proposed law creating a Land Credit Bank or Rural Credits Association for the purpose of providing farmers with the means to purchase farm implements, fertilizers, etc., and to secure other improvements.

All these provisions will greatly increase the purchasing power of those actually engaged in farming as well as the owners of farm lands. The latest statistics show that 37 per cent. of the entire working population of the United States is engaged in agricultural pursuits in one form or another, and when this large body of people exercise this privilege, the implement business should be given a surprising impetus.

Practically all of the International Harvester Company's business is with farmers, and owing to the enormous amount of obligations due from this portion of the community it is anticipated that farmers who, in many western states pay as high as 8 per cent. interest on notes given in part payment for agricultural implements, will reduce carrying charges on these items by borrowing from local banks on short time, or by making long time loans on farm lands. By these methods they can add to their working capital and their funds will be available for improvements and new facilities from ploughs to automobiles. Mr. Fales estimates that $27,000,000 of the International Harvester Company's working capital will then be released, these figures being based on the report for 1912.

GROWTH AND EARNINGS.

The accompanying graphic illustrates the growth of the company's business for the ten fiscal years ending with 1912, this being the latest report covering operations of the original company. The most striking feature is the rapid development of the foreign trade, which has doubled three times since 1903. Miscellaneous income from sales of steel products, fibres, etc., constitute a smaller item, but this growth has been even more rapid in a shorter length of time.

By comparing operating income with the net after depreciation charges, betterments and appropriations, we can see what a vast amount of money has been put back into the property—something like $38,000,000. The various reserve accounts such as Reserve for Plant Depreciation; Ore and Timber Expense; Collection Expenses; Contingent Loss and Bills Receivable; Special Maintenance Reserves, etc., showed a balance of about $23,000,000 at the end of 1912,* which, combined with a reported surplus of $31,000,000, totals $54,000,000, and gives a book value of about $167 for the old comon stock. Estimating that $15,000,000 additional has been put back into the property during the past eighteen months, would give a book value on the original common stock of about $186 per share, assuming that the company be dissolved as of June 30, 1914.

*The Government report says: "In addition to these changes, however, the Bureau considers that the statements of net earnings as made by the company after 1903 are unduly low on account of excessive reserves. While the Bureau does not criticise the integrity of the financial statements of the company in this respect, it considers that these allowances for reserves have been more than necessary. While they may be justified to a certain extent as a prudent means of conserving the financial resources of the company, and not enlarging the surplus which is held available for dividends, such reserves, in so far as they are excessive, belong in a strict analysis to earnings and surplus."

Year.	Sales. Domestic.	Sales. Foreign.	Steel Products. Fiber Sales, Etc.	Total Gross.	Operating Income.	Net After Depre., Better. and Appro.
1912....	$64,007,747	$50,897,063	$10,532,392	$125,438,104	$27,689,804	$18,767,905
1911....	56,868,000	42,314,000	8,851,000	108,023,000	25,684,725	17,068,493
1910....	56,503,000	34,196,000	10,467,000	101,166,000	24,742,634	17,088,800
1909....	50,097,000	28,134,000	8,383,000	86,614,000	19,225,330	15,450,796
1908....	41,882,000	24,746,000	5,913,000	72,541,000	12,930,377	9,761,355
1907....	46,402,000	24,478,000	7,326,000	78,206,000	11,228,318	9,220,497
1906....	42,018,000	20,199,000	5,372,000	67,589,000	10,007,988	8,607,988
1905....	36,193,000	16,914,000	2,580,000	55,687,000	9,208,483	8,019,843
1904....	34,368,000	15,349,000	....	49,717,000	7,099,544	6,012,841
1903....	39,819,000	12,246,000	....	52,065,000	6,980,296	6,122,134

Such a thing is not possible, however, as the suit now pending in the United States Circuit Court at St. Paul will probably be appealed. It will take probably two years for a decision from the Supreme Court at Washington, thus permitting continued expansion of the business and further accumulations in surplus and reserve accounts. It is therefore safe to estimate that by the time the Supreme Court decision is handed down, the book value of the old stock should approach the equivalent of $200 per share.

When in February, 1913, the old company divided up into two companies, stockholders received new certificates for one-half of their holdings in the International Harvester Company of New Jersey and the other half in certificates of the International Harvester Corporation. Until the separate annual reports of these two companies can be analyzed, we cannot calculate which company owns the more valuable properties or the largest amount of cash, surplus, working capital, etc.; therefore the only way in which a present buyer could assure himself of a share in the earning power and equities of both companies would be for him to place half his funds in the stock of the International Harvester Company of New Jersey and the other half in the International Harvester Corporation. With fifty shares of each, he would possess the equivalent of one hundred shares of stock in the original International Harvester Company.

CONCLUSION.

No decision, however drastic, can rob the owners of these shares of a dollar of value. Should dissolution take place, stockholders will doubtless receive shares in the various subsidiaries or in new companies, formed from the constituent concerns. If the company wins the suit, its organization and consequent earning power will be unimpaired, with every prospect of a melon cutting in one or both companies.

Report of the Bureau of Corporations says: "The extraordinary over-capitalization which characterized most of the large industrial consolidations of the period 1898-1901 was absent in the case of the International Harvester Company." Of the original capital stock of $120,000,000, one-half was issued for cash or its equivalent and the remainder for the appraised value of plants, inventories, etc. Therefore this is one of the very few large companies in which no water has been injected into the capitalization. The government report says: "The company claimed a large value for good will but has not entered any good will value in its accounts." A very remarkable fact, extremely important to those who hold or are considering the purchase of the stock.

The enforced conclusion of the whole matter, considering the fact that no water has been injected into the capitalization, the low cost of production, the superior command of capital, the enormous growth of the business, the vast agricultural areas as yet uncultivated by machinery, the long experience of those who control the business, and the large book value, all combine to make the stock of these corporations, separate or combined, a desirable investment proposition anywhere in the neighborhood of par.

Later:—The annual reports of the two companies combined, compared with last year are as follows:

	Combined Cos. 1913.	Old Co. 1912.	Changes.
Total sales	$118,349,000	$125,438,104	†$7,089,104
Mfg. and distrib...	94,707,701	102,075,445	†7,367,744
Net	23,641,299	23,362,659	‡278,640
Mis. income	*......	1,080,133	......
Tot. income	23,641,299	24,442,792	†801,493
Tot. deduc.	8,570,516	7,306,805	‡1,263,711
Net profit.	15,070,779	16,395,597	†1,324,818

*Included in total sales 1913.

†Decreased. ‡Increased.

Owing to partial crop failure in this country it is assumed that the shrinkage in sales was chiefly in the Harveter Company of New Jersey.

Working capital shows an increase of $9,581,509, as per figures below:

	Combined Cos. 1913.	Old Co. 1912.	Changes.
Inventories	$85,712,942	$75,060,216	‡$10,652,726
Rec'bles net	93,502,387	81,498,378	‡12,004,009
Cash	5,591,620	5,430,582	‡161,038
Total	184,806,951	161,979,177	‡29,827,774
Current liabilities ..	62,539,600	49,293,335	‡13,246,265
Net working cap	122,267,351	112,685,842	‡9,581,509

‡Increased.

Railroad Earnings

Estimates of the Per Share Profits of Some Principal Railroads Based on Ten Months Revenues

Comparison is made with actual earnings of the past two years. In the cases of Norfolk & Western, Atchison, Great Northern, St. Paul and Union Pacific, the fact that there is more stock outstanding than a year ago has been taken into account.

	Com. stock.	Indicated earn. 1914.	Earned 1913.	Earned 1912.
Boston & Maine	$39,505,391	....	....	2.79
New Haven	156,970,000	....	4.96	7.48
Baltimore & Ohio	152,317,468	6	7.22	7.58
Chesapeake & Ohio	62,792,600	5	5.25	6.81
Louisville & Nashville	72,000,000	10¾	12.70	15.93
Lehigh Valley	60,501,700	10	16.90	13.16
Norfolk & Western	107,267,200	8¼	10.61	9.99
Reading	70,000,000	8	17.57	7.55
Burlington	110,839,100	16	17.53	12.72
Illinois Central	109,296,000	7	6.02	3.17
North Western	130,117,029	9	9.62	7.52
Atchison	195,631,000	7¾	9.49	8.23
Jersey Central	27,436,800	19	26.73	21.90
Southern Pacific	272,672,405	8	9.85	7.92
Union Pacific	222,299,500	12¼	15.14	13.87
Great Northern	230,759,500	8½	11.02	10.31
Northern Pacific	248,000,000	7¾	8.69	7.93
St. Paul	116,855,400	7¾	8.62	1.56

Encouragement to Copper Bulls

Thomas A. Edison recently said: "Seventy-five per cent of the world's electrical problems are still to be worked out. For the next generation there are millions of things to do."

How To Avoid Fraudulent Stocks

Practical Points for the Small Investor

By ARTHUR PRILL

Article Three.

ONE method of avoiding many frauds is to avoid promoters. Such statement will not offend the bona fide promoter of legitimate industries, for the simple reason that he does not hawk his wares to the general public in the form of cheap stock. But when the average absorber of easy money finds himself short of funds he asks the air, "What can I promote?" and out of the blue atmosphere he builds an attraction which with the help of typewriters, printing presses and good talkers leads innocents to open their bank books.

A promotion is essentially an infant enterprise: either the whole plant is new, or several existing plants are reorganized upon a new basis of competitive and distributing conditions which must be tested before their actual value can be ascertained. The risk of this test is offered by conservative promoters to parties thoroughly conversant with the situation to be developed. A drug manufacturer or large retail dealer is in a position to know whether a new combination in his trade has a fair chance of success, but when that same stock is offered to a dry goods salesman the latter takes whatever step he decides upon, in the dark. Some of the big consolidations which were promoted by sale of their stock to the public have proved commercial and financial successes, but these results have been achieved in spite of, not on account of, the method of flotation. We all know today that these securities at the time of first sale were largely "water"; the liquid has been squeezed out since then to a greater or lesser degree, but the unalterable fact is that these stocks were fraudulent to the extent to which they pretended to have a value which they had not.

At the same time it must be remembered that while the promoter of a billion dollar corporation and the one who offers to start a shoestring factory may be equally honest, yet the latter is taking the biggest chances and his financial partners are in the same boat with him. The obvious inference is—Stay on dry land. Never buy into a venture whose profits are all in the future. The only exception to the rule is to be made when the prospective investor is personally acquainted with all conditions and persons connected with the commercial problem in hand and even then it were best to stay out unless he and his friends can obtain a controlling interest. This is the ordinary common sense which would govern a butcher in buying into a new meat shop. Why, after he has laid a few banknotes on ice, should he not use the same business principles when cutting into the stock market?

Someone may say, "We would never begin anything new under such investment rules." Certainly we would not begin as many wildcat, slim-hoped industrial, mining and irrigation enterprises as at present. And who would be the loser? Certainly not the small investors and speculators of the country, people who are caught by new promotion schemes only because they have never been thoroughly burned before. It is just these first losses sustained by financially ignorant men and women which lead to subsequent lack of funds for meritorious enterprises. If the promoter's proposal really offers profit and ordinary commercial safety, he does not need to spend money on advertising, on offices and on salesmen: he needs only to go to the hardhearted business men in the trade which he seeks to exploit, but such business men are avoided by the faker because they know too much.

That word, "know," is the crux of the situation. Whether the buyer wants absolute safety at comparatively low interest on investment, or whether he is willing to take a business risk, speculating

on the energy, judgment and integrity of the men conducting an enterprise with sufficient capital, he must Know the fundamental factors of the commercial problem in hand. He need not know the details of technical management but if he drifts into the market blindly, saying merely, "Oh, So-and-so is behind that stock; he brought out United XX last year, sent it up thirty points and then let it drop. I'll buy at the opening, see him for a ten point rise, and then take my profit" and this stock gambler often considers himself conservative, he will find sooner or later that the wheel is out of center. The manipulator can make it stop at nine points up. Then—good night, margin.

Education in finance as in any other line can be gained only by hard study and even this must be reinforced by practical experience. Beginners in the stock market unfortunately make the mistake of holding a contrary opinion. Nobody can tell them anything, so they get their lesson all at once, and that hurts.

Above all, avoid the correspondence courses in money making. The stock seller who does most of his business under a postage stamp charges more for tuition than the most powerful firm which keeps a member under the roof of the stock exchange. Few out-and-out frauds get into the lists of the exchanges. If the buyer has a ready market, such as is offered by any active, listed security, he can at least get out of his holdings at comparatively small loss whenever he senses something insecure about the goods that have been loaded on his confiding back. There is little use in finding out that the *unlisted* fraud is a fraud: by the time one investor sees the light, it has dawned upon most other people and no one will accept the quotation—hurdling fake at any price.

A certain wizard of Broad street, whose magic power has recently been rudely chilled in the shadow of Sing Sing's walls, divided suckers into three classes: "Those who bite once and quit; those who don't quite understand what happened to them the first time and take a second shot, after which they throw up the game; third and last, but not least, thank hell, there's the sucker who was born with a green certificate in his mouth. When he has chewed up one, he isn't happy till he gets another. He pays five dollars a year for a safe deposit box in the biggest security vault in town and into the box he places, with something akin to religious veneration, share after share of embossed paper whose occasional great merit is that it is non-assessable. In other cases the box may fill, but the assessments, like the widow's oil, run on forever. This sucker never gets tired. Him we have always with us."

The man who spoke as above could not have made the millions of easy money with which he is credited, had his dupes previously read the Magazine of Wall Street. The assertion is not based upon a crude desire to flatter the publication, but upon a desire to make YOU, reader, think! This magazine will teach you how to think along financial lines. Stock and bond market logic is a field of brain activity in which the majority of small investors have no experience because ordinary financial columns are written with a different purpose—they are usually intended not to encourage thought but to disseminate news. Whether the news is accurate, truthful or faked makes no difference to the brain-process of the reader, whatever effect the items may have on his bank account. Financial pages of dailies and, in general, brokers' letters are intended to lead to action, to quick decision on a buying or selling plunge.

There are also excellent manuals of statistics upon the market; they give facts whose reliability can be guaranteed and which are of great value to the investor who has learned to reason logically upon facts as a foundation. The difficulty lies in acquiring the habit of systematic thought. No magazine, no publication of any kind, no broker's clerk or wealthy friend can teach you how to avoid fraudulent stocks by rule of thumb. They can point out individual fakes to avoid but no magazine will notify its readers of an individual stock in which to make money —for two reasons: first, the editor is human. If he ever got a sure thing he'd ask the office staff to wait for their salaries a week while he climbed aboard for the general welfare. Secondly, the mere dissemination of genuine news kills its value. You can not make money on a

race if everybody wants to bet on the same horse which you have picked.

The man who seeks to avoid fraudulent stocks and to select safe ones must place himself in a position to get what is practically inside information, that is, he must know something which the rank and file does not know. It is not usually possible for a small investor to obtain concrete facts of development, earnings or plans of corporations before these facts become public property. What the successful man does is to arrive at a useful conclusion from these facts before that conclusion forces itself upon the intelligence of everyone else in the Street. Then he can buy or sell as the case may be, cashing in later upon the slowness and laziness or dullness of the "outsiders."

One earmark of crooked invitations to buy securities is the direct or implied assurance that it is "easy to make money." The out-and-out faker throws in for good measure that "the money will come quick." A civil engineer locating a railway, a mining engineer directing a tunnel, or a doctor performing a capital operation, each has an easy task in deciding upon a line of action as compared with the small investor sitting before a few pamphlets, annual reports, a manual of statistics and a market review, and on these trying to base a certitude of any stock's future. It can be done, and fortunately is done, or we would have a cow lot east of Trinity graveyard; but too many people rely on instinct or on luck in the formation of their market campaign. Others do not bother with any plan of campaign at all. That is why we need postal inspectors.

Nearly every healthy man in the United States is trying to make money; there is nothing wrong about that. Leaving aside the issue of possible moral wrong we must in every case face the economic wrong of trying to get something for nothing. It can't be done. The former president of a great railway system, recently speaking from the witness chair before the Interstate Commerce Commission, said again and again that "brains rule the world" and that the huge railway failure with which his name was intimately associated would not have occurred if the master mind which had brought the railway to its zenith of power had not been stilled in the mausoleum.

So the buyer of securities must learn mentally to grasp financial situations; it may be truthfully said that he must love the complexity and difficulty of the calculations involved. An old German saying has it, "One becomes a smith by much hammering." The master of finance is developed by much poring over balance sheets. If you will study the best financial literature until its interest captures you, it is certain that eventually you will sense fraudulent stocks the moment they approach you; you will learn to keep your money in a safe place until a safe security at an attractive price is offered. Then the pleasure of winning and doing it not by luck but by the conscious force of your own mentality, will be worth more than the coupons as you clip, clip, clip.

The End.

Railroad Balance Sheet Indicator

The Position of Standard Companies with Respect to Working Capital

IN the June issue there was an illuminating discussion of a method of appraising the value and forecasting the near future of a railroad stock by means of the balance sheet. It was shown that a practical solution of this question can be reasonably obtained by a proper consideration of the working or current assets and liabilities. To properly appreciate the relative importance of the various items of a railroad balance sheet of which there are many requires no little study.

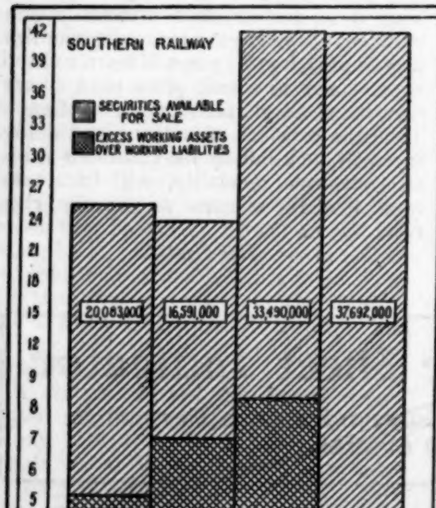
In analyzing the balance sheet for

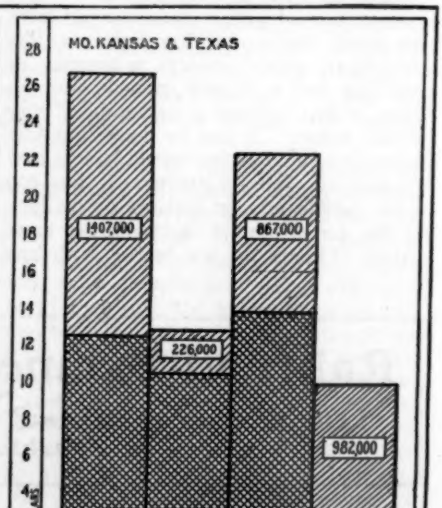
working or current assets and liabilities it should be remembered that in the former may be included securities which a company holds, and which to all intents are ready for market. Under the proper conditions such securities may be really considered in part as a current asset, that is, one that may be turned into cash quickly. But the conditions favorable to such a proceeding are seldom present if a large amount of such securities were to be thrown upon the market.

So in making up the statement of the company's working or current assets it is best to give some distinction to the securities that could be so included. In the accompanying graphic this is clearly set forth by giving the actual quick assets in one shade, and the securities reserve, as it might be called, in the lighter shade or upper shade. This security reserve is made up of four items, namely: Securities held for permanent investment or control, not pledged, and at book values; permanent advances for property investment which generally represents money advanced to smaller companies representing a part of the system, but which under the Commerce Commission permission may be funded at any time, that is, securities be sold to reimburse the main company for its advances; company's securities available for sale or pledge, that is, part of the company's own funded debt which may be held in the treasury available for sale in the open market—put down at par, and lastly miscellaneous marketable securities—put down at cost or book values.

It will be seen from this explanation that there is great elasticity in these items both from the way they are valued, and from the degree to which they could be marketed at any given time.

It is therefore necessary to give careful consideration to these securities items when putting them among quick assets. They may be quickly convertible into cash, or they may not, depending entirely upon circumstances. For this reason they are shown in the manner below. The graphic presents the position of these roads with respect to the items which would under any circumstances come under headings of working, quick, or current either assets or liabilities.





Monthly Net Earnings

THIS table gives the returns of the principal railroads down to latest dates available, and should be studied in connection with the "Bargain Indicator," which shows annual results and the "Investment Digest," where other details of earnings will often be found.

		Current month.	Change from last year.	Fiscal yr. to date.	Change from last fisc. yr.	Stock outstanding (in millions). Pref.	Com.
Atch., Top. & S. Fe	Apl.	$3,450,779	+$157,262	$31,565,947*	—$1,690,417	114	195
Atlantic Coast Line	Apl.	810,294	—176,015	7,954,703*	—942,775	..	67
Baltimore & Ohio	Apl.	2,404,718	+853,738	21,917,171*	—883,056	60	152
Boston & Maine	Apl.	798,815	+85,598	7,457,501*	—997,776	3	39
Buff., Rochester & Pittsb.	Apl.	def. 36,491	—233,578	2,397,354*	—236,757	6	10
Canadian Pacific‡	Apl.	3,344,865	—600,212	36,127,291*	—2,986,798	74	260
Central of Georgia	Apl.	171,165	—38,795	3,270,616*	+2,950	15	5
Central R. R. of N. J.	Apl.	614,660	—113,712	6,916,920*	—2,139,748	None	27
Chesapeake & Ohio	Apl.	916,923	+571,304	9,286,904*	+615,865	...	62
Chicago & Alton‡	Apl.	42,777	+49,109	1,307,035*	—379,664	19	19
Chic., Burl. & Quincy	Apl.	1,051,111	—280,917	27,236,219*	—1,176,101	None	110
Chic. Gt. Western	Apl.	209,098	+27,762	2,955,732*	—210,031	44	45
Chic., Mil. & St. Paul	Apl.	2,121,252	+326,352	25,759,088*	—974,832	116	116
Chic. & Northwestern‡	Apl.	1,304,090	+595	19,897,632*	—954,987	22	130
Cleve., Cin., Chic. & St. L.	Apl.	102,312	+573,297	273,555†	—866,824	10	47
Colorado & Southern	Apl.	206,074	—18,502	2,977,827*	—937,310	1st, 8; 2d, 8	31
Delaware & Hudson	Apl.	747,542	+132,275	1,734,711†	—1,115,004	None	42
Del., Lack. & Western	Apl.	1,164,988	+36,266	11,814,563*	—974,771	None	42
Denver & Rio Grande‡	Apl.	365,770	+8,729	5,140,621*	—568,709	49	38
Erie‡	Apl.	1,327,497	+376,371	9,880,894*	—3,159,994	1st, 47; 2d, 16	112
Great Northern	Apl.	988,141	—918,748	25,540,404*	—2,391,042	230	None
Hocking Valley	Apl.	110,880	—104,754	1,916,224*	—311,340	None	11
Illinois Central‡	Apl.	460,062	+263,348	10,043,487*	+1,090,818	None	109
Kansas City Southern	Apl.	324,768	+63,484	3,383,026*	+31,271	21	30
Lake Erie & Western	Apl.	66,865	—13,803	251,211†	—66,177	11	11
Lake Shore & Mich. So.	Apl.	1,047,921	—439,890	3,543,514†	—2,276,567	None	49
Lehigh Valley	Apl.	1,106,730	—18,581	9,447,713*	—2,137,367	...	60
Long Island‡	Apl.	177,809	+56,034	204,190†	+95,595	None	12
Louisville & Nashville	Apl.	1,010,571	+40,414	13,071,405*	+5,639	None	72
Michigan Central	Apl.	765,162	—244,597	1,993,334†	—1,012,984	None	18
Minn. & St. Louis‡	Apl.	106,563	—57,138	2,007,394*	—254,020	5	15
Minn., St. P. & S. S. Marie‡	Apl.	322,908	—351,931	4,795,216*	—2,494,003	12	25
Mo., Kansas & Texas	Apl.	624,543	+237,900	7,478,442*	—1,060,640	13	63
Missouri Pacific‡	Apl.	980,052	—134,370	12,093,728*	—281,907	None	82
National Rys. of Mexico§	Apl.	232,955	—1,012,987	1,952,616*	—18,070,081	1st, 57; 2d, 240	149
N. Y. Cen. & Hud. River	Apl.	1,711,263	—211,644	5,336,870†	—1,636,451	None	225
N. Y., Chic. & St. Louis	Apl.	83,367	—88,807	329,860†	—420,261	1st, 5; 2d, 11	14
N. Y., N. H. & Hartford	Apl.	1,114,992	+98,598	12,031,189*	—3,528,260	None	157
N. Y., Ont. & Western‡	Apl.	145,601	—9,866	1,612,790*	—593,325	None	58
Norfolk & Western	Apl.	1,232,262	+489,013	11,951,170*	—744,029	23	107
Northern Pacific	Apl.	1,853,998	+218,059	22,476,667*	—1,621,042	None	248
Pennsylvania R. R.‡	Apl.	3,358,067	+347,683	8,665,300†	—1,764,196	None	499
Pere Marquette‡	Apl.	81,997	—97,083	1,001,968*	—1,780,249	12	14
Pittsb., Cin., Chic. & St. L.‡	Apl.	350,945	+567,996	1,721,949†	+563,681	27	37
Reading Company	Apl.	165,264	—468	1,657,689*	—3,581	1st, 28; 2d, 42	70
Rock Island Lines	Apl.	893,621	—220,819	14,610,468*	—785,892	49	90
Seaboard Air Line‡	Apl.	674,387	+62,054	5,876,107*	+251,145	23	37
St. Louis & San Fran.	Apl.	343,905	—498,920	8,949,450*	—2,374,896	1st, 4; 2d, 15	28
St. Louis Southwestern‡	Apl.	33,615	—131,731	2,215,943*	—1,056,015	19	16
Southern Pacific‡	Apl.	2,681,196	—291,257	32,152,620*	—5,234,682	None	272
Southern Railway	Apl.	1,423,862	—115,535	16,753,649*	—817,437	60	120
Texas & Pacific	Apl.	230,897	+95,156	4,028,505*	+832,465	None	38
Tol., St. L. & Western‡	Apl.	59,617	—58,040	1,006,346*	—31,866	10	10
Union Pacific‡	Apl.	2,140,879	+52,387	27,012,307*	—2,703,789	99	222
Wabash‡	Apl.	174,765	—240,315	4,248,816*	—1,083,783	39	53
Western Maryland	Apl.	38,226	—130,618	540,428*	—955,547	10	49
Wheeling & Lake Erie	Apl.	67,395	+202,600	2,051,124*	+356,148	1st, 4; 2d, 11	20

*Fiscal year ends June 30. †Fiscal year ends Dec. 31. ‡Net earnings are after deducting taxes.
§These results are in Mexican currency.

Comparative Earnings of Important Stocks

THE BARGAIN INDICATOR

NOTE—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvement of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. Latest monthly earnings will be found in table of "Monthly Net Earnings" or "Investment Digest."

Railroads

	Present div. rate.	Div. yield on pres. price.	Earnings on par for fiscal year ending on any date during 1907.	1908.	1909.	1910.	1911.	1912.	1913.	Present price.	Earnings last fisc. yr. on pres. price.	Notes.
Minneapolis & St. L. pfd..	0	0	7.8	2.7	—2.4	1.9	1.5	—11.9	7.7	29	26.6	
Denver & Rio Grande pfd.	0	0	9.1	7.7	6.6	8.3	4.7	2.0	4.2	18	23.3	Contr. and finan. W. Pac. wh. earns only part chgs.
Mo., Kansas & Texas com.	0	0	5.0	0.4	0.7	0.8	2.0	—0.8	2.8	17	16.5	
Erie com.	0	0	3.0	—3.7	0.3	2.9	2.5	0.7	4.3	28	15.4	
Colorado & Southern com.	0	0	4.5	4.8	4.9	7.3	5.2	2.6	3.2	22	14.5	Controlled by C., B. & Q. (Hill management).
Southern Railway com....	0	0	—0.6	—2.2	0.5	2.3	3.1	3.1	3.4	24	14.2	
Reading com.	8	4.9	13.0	12.7	13.2	16.1	13.8	12.5	22.7	164	13.8	Incl. betterm'ts. Suit filed agst. control of Jersey Cen.
Seaboard Air Line Ry. pfd	4	7.4	....	....	....	....	7.6	3.7	7.3	54	13.5	Initial div. Nov., 1913.
Twin City Rapid Trans. com.	6	5.8	8.2	8.3	9.9	10.9	11.0	11.3	13.0	104	12.5	
Lehigh Valley com.......	10	7.3	20.0	19.2	15.4	23.0	16.5	13.2	16.9	138	12.2	
Minn., St. P. & S. S. M. com.	7	5.7	9.6	8.4	8.8	15.7	5.3	11.1	14.7	123	12.0	Pfd. and com. share above 7%. Contr. by Can. Pac.
Missouri Pacific	0	0	9.9	3.7	1.3	3.3	—6.3	—2.4	1.9	16	11.9	Extended one yr. $30,000,000 notes due June 1, 1914.
Southern Pacific com.....	6	6.5	12.5	7.4	10.2	13.0	9.6	7.9	9.8	93	10.5	Gov't contesting ownership of Cent. Pac.
Norfolk & Western com...	6	5.7	9.0	7.1	8.7	11.6	8.9	9.9	10.6	105	10.1	Controlled by Penna.
Canadian Pacific	10	5.2	13.7	10.6	8.6	16.0	17.3	19.6	19.6	194	10.1	Div 7% R. R.; 3% land sales.
Brooklyn Rapid Transit...	6	6.6	4.4	4.1	4.2	5.6	6.8	8.3	9.2	91	10.1	Subways will doubtless enlarge earnings eventually.
Kansas City Southern com.	0	0	5.4	2.6	3.4	2.2	2.7	0.2	2.7	27	10.0	
Chesapeake & Ohio.......	4	7.7	5.4	4.4	6.4	10.0	5.1	6.8	5.2	52	10.0	Must put $15,000,000 out of earnings into property before 1917.
Union Pacific com........	8	....	16.5	16.2	19.1	19.2	16.6	13.8	15.1	154	9.8	Price includes extra div. held up by litigation.
Atlantic Coast Line.......	7	5.7	6.3	5.6	9.4	12.0	12.8	12.1	12.0	123	9.8	Holds control of Louis. & Nash. by stock ownership.
Delaware & Hudson......	9	6.0	15.2	12.4	12.2	12.5	12.3	13.0	14.5	149	9.7	
Atchison com.	6	6.1	15.0	7.7	12.1	8.9	9.3	8.2	9.5	99	9.6	Earn. 1913 on present cap. stock 8.5%.
Wisconsin Central com....	0	0	3.2	—0.6	0	2.5	—4.3	0.3	4.0	42	9.5	Leased to M., St. P. & S. S. M. (Can. Pac. system).
Buff., Roch. & Pittsb. com.	6	5.6	8.7	6.2	6.3	7.3	8.0	8.4	10.2	107	9.5	Pfd. and com. share equally above 6%.
Louisville & Nashville.....	7	5.0	10.7	7.5	14.3	17.3	14.2	15.9	12.7	139	9.1	Contr. by Atl. Coast. Earn. '13 on pres. stk. 11.6%.
Great Northern pfd.......	7	5.7	11.8	7.1	8.3	8.5	8.3	10.3	11.0	123	8.9	Has large equity in C., B. & Q. and Can. extensions.
Chic., Mil. & St. Paul com.	5	5.0	10.5	9.5	7.2	8.0	7.1	1.6	8.6	100	8.6	Now includes Puget Sound.
N. Y., Ontario & Western.	2	7.7	2.8	2.6	2.3	2.3	2.0	0.8	2.1	26	8.1	
Pennsylvania R. R........	6	5.4	10.7	9.0	11.0	9.3	8.6	9.3	8.9	111	8.0	Divs. pd. since 1856.
Delaware, Lack. & West...	20	5.0	38.5	40.8	52.8	35.4	31.8	33.2	32.0	401	8.0	
Northern Pacific com.....	7	6.4	15.1	12.8	10.7	9.0	8.2	7.9	8.7	110	7.9	Large equities in lands and C., B. & Q.
Baltimore & Ohio.........	6	6.6	9.9	5.1	7.1	8.9	6.9	7.6	7.2	91	7.9	6 mo. end. Dec., '13, equals 3.1%. Large block of B. & O. stock held by U. P. distributed.
N. Y., N. H. & Hartford..	0	0	9.2	5.4	7.4	10.3	7.1	8.5	5.0	66	7.6	Div. recently passed. Govt. breaking up its contr. of sub. cos.
Chicago Gt. Western pfd..	0	0	....	....	....	1.2	1.9	0.4	2.8	37	7.6	
Chicago & Northw'n com..	7	5.3	12.7	11.2	11.4	7.7	8.0	7.1	9.6	131	7.3	Pfd. and com. share above 7%.
N. Y. Cent. & Hud. River.	5	5.4	6.2	5.1	7.7	6.4	5.7	6.2	5.9	92	6.4	Now consolidated with Lake Shore.
Illinois Central	5	4.4	....	8.4	7.4	7.1	10.3	3.2	6.0	113	5.3	Div. reduced from 7%.
Toledo, St. L. & West. pfd.	0	0	6.4	0.2	1.0	2.0	—0.6	—0.5	0.6	14	4.3	Earns. given exclude divs. on Alton, now discontinued.
Western Maryland pfd....	0	0	....	....	....	8.6	6.2	6.0	—4.1	35	0	Connection with N. Y. Cent. completed.
Pittsb., C., C. & St. L. com	2	2.5	8.8	7.2	9.8	6.1	7.0	10.9	—2.0	80	0	Pfd. and com. share above 5%. Contr. by Penna.
Lake Erie & Western pfd.	0	0	2.0	—2.0	0.8	—0.2	—0.1	1.8	—1.8	17	0	Controlled by Lake Shore.

Preferred stocks earning in last fiscal year more than the per cent. to which the dividend is limited, but now receiving either no dividend or less than said limit:

Erie 1st pfd.	0	0	12.3	—3.4	6.1	12.1	11.2	7.0	15.3	43	35.6	Entitled to 4%.
St. Louis S. West. pfd.	0	0	7.9	1.6	2.9	4.1	6.1	8.2	9.4	41	22.9	Div. recently passed.

Industrials

	Present div. rate.	Div. yield on pres. price.	Earnings on par for fiscal year ending on any date during 1907.	1908.	1909.	1910.	1911.	1912.	1913.	Present price.	Earnings last fisc. yr. on pres. price.	Notes.
Am. Locomotive com.	0	0	11.1	—3.1	1.3	7.3	0.5	17.7	....	32	55.3	Mfr. of autos discontinued.
General Motors com.	0	0	....	....	....	15.7	17.3	38.8	....	92	42.2	1911 earnings 10 mos. only.
Bethlehem Steel pfd.	5	6.0	2.4	5.3	13.4	13.6	13.1	34.4	....	83	41.0	
Pressed Steel Car com.	3	6.8	—5.8	7.7	5.5	0.1	0.8	10.5	....	44	23.9	Recently declared ¾% quarterly.
Am. Steel Foundries.	2	6.5	0.3	0.1	6.1	—1.5	4.6	6.1	....	31	19.7	1911 earns. are 17 mos.
U. S. Steel com.	5	8.2	4.0	10.5	12.3	5.9	5.7	11.1	....	61	18.4	U. S. Govt. suit pending.
Nat. Enam. & Stamp. com.	0	0	—2.1	1.1	1.0	1.1	—1.6	1.9	....	11	17.3	1912 earnings 18 mos.
Colorado Fuel & Iron com.	0	0	0.4	2.1	4.0	3.2	4.8	4.6	....	27	17.0	Pfd. in arrears about 40%. Strike affected Co. badly.
Am. Hide & Leather pfd.	0	0	—0.1	11.2	—5.6	0.8	3.2	3.6	....	22	16.4	
U. S. Rubber com.	6	10.2	0.2	4.0	7.8	2.2	6.3	8.7	....	59	14.7	1913 figured on present cap. stock.
Republic Iron & Steel pfd.	7	8.1	9.8	8.1	11.7	7.8	8.9	12.4	....	86	14.4	Arrears 5¼%.
Central Leather com.	2	5.6	1.3	6.3	—2.1	—5.1	8.6	5.2	....	36	14.4	
Inter. Harvester (N.J.) com	5	4.7	7.8	17.8	14.8	14.2	15.2	....	....	106	14.3	Govt. suit pending.
Westinghouse Elec. com.	4	5.3	....	....	7.6	12.3	6.2	8.2	10.8	76	14.2	Has written off large amt. of investments in foreign Westinghouse Cos.
Tennessee Copper (par $25)	12	8.8	6.5	6.8	8.9	8.1	21.9	19.3	....	$34	14.2	Income partly from sulphuric acid.
Inter. Paper pfd.	2	5.9	7.3	2.7	4.5	5.3	5.4	4.4	....	34	12.9	6% cum. divs. in arrears 24%.
U. S. Cast Iron Pipe pfd.	4	10.8	5.4	1.2	4.4	3.9	4.2	4.7	....	37	12.7	Controls 75% of U. S. production.
Am. Smelt. & Refining com	4	6.5	7.0	7.7	7.1	9.1	10.1	7.5	....	62	12.1	Smelting & Smelt. Sec. now consolidated.
U. S. Realty & Improve.	5	8.3	7.7	9.2	9.7	9.4	8.3	9.2	8.2	60	12.0	Controls Fuller Constr. Co.
Corn Products pfd.	5	7.8	8.5	8.2	6.9	7.0	6.8	7.6	....	64	11.9	Divs. in arrears.
Sears Roebuck com.	7	3.7	4.5	18.4	20.5	17.0	19.3	21.2	....	187	11.3	
Pittsburgh Coal pfd.	5	5.6	1.7	3.0	7.2	5.1	7.5	10.1	....	89	11.3	Divs. in arrears 40%.
American Linseed pfd.	0	0	....	5.8	4.5	2.6	—2.8	3.0	....	28	10.7	
Am. Malt Corp. pfd.	4	9.3	10.6	6.2	3.0	8.8	9.3	4.6	....	43	10.7	Divs. in arrears 22%.
American Can pfd.	7	7.7	6.6	6.7	6.8	7.1	14.2	9.7	....	91	10.7	Arrears 8¾%. Govt. suit pending.
Utah Copper (par $10)	30	5.3	23.3	29.5	34.6	39.7	53.5	53.9	....	$57	9.5	
Chino Copper (par $5)	60	7.3	....	....	....	....	50.6	77.5	....	$41	9.5	
North American	5	7.0	4.8	6.0	6.2	6.2	7.2	6.7	....	71	9.4	Controls Street Ry. & Elec. Light Cos.
Am. Agricul. Chem. com.	4	7.1	6.1	7.5	10.4	9.1	7.3	5.2	....	56	9.3	
Am. Beet Sugar com.	0	0	4.2	7.0	7.3	10.9	13.5	3.9	2.3	25	9.2	Affected by tariff reduction.
National Biscuit com.	7	5.3	8.1	7.4	7.7	9.8	10.0	9.6	11.7	131	8.9	Fisc. yr. ends Jan. 31.
Ray Con. Copper (par $10).	15	7.1	....	....	....	2.1	13.3	18.5	....	$21	8.8	
General Electric	8	5.4	10.2	7.4	16.7	14.5	16.2	12.9	....	148	8.7	
Amalgamated Copper	6	8.6	4.3	2.4	3.9	3.9	4.3	5.8	....	70	8.3	Contr. Anaconda and other Butte & Mexican mines.
Union Bag & Paper pfd.	0	0	7.4	6.2	5.4	5.5	5.3	1.6	1.7	21	8.1	Divs. in arrears. Fisc. yr. ends Jan. 31.
Am. Cotton Oil com.	0	0	3.2	10.4	6.8	—1.2	6.5	3.4	....	42	8.1	Controls 17 sub-companies.
Pacific Coast com.	6	7.2	5.7	5.3	8.8	7.2	6.2	6.6	....	83	8.0	Com. and 2d pfd. share equally above 4%.
Am. Car & Foundry com.	2	3.9	23.8	2.6	6.6	7.1	2.5	4.1	....	51	8.0	$600,000 set aside for com. divs., equal 2% on stock.
Am. Teleg. & Teleg.	8	6.5	10.1	9.0	10.4	10.0	9.3	9.6	....	123	7.8	Large equities in sub. co. earns.
National Lead com.	3	6.4	5.8	6.2	4.3	3.6	3.8	3.6	....	47	7.7	
Sloss-Sheffield com.	0	0	4.9	6.6	2.0	—0.6	0.8	2.1	....	28	7.5	
Distillers' Securities	0	0	1.5	2.2	2.3	3.1	1.5	1.2	....	16	7.5	Holds maj. U. S. Ind. Alcohol.
General Chemical com.	6	3.5	4.5	14.4	15.6	15.5	11.5	12.8	....	170	7.5	5% stock div. 1912.
Pullman	8	5.2	9.8	10.9	11.6	9.3	8.7	9.3	....	155	6.0	
People's Gas Light & Coke	8	6.6	8.4	8.9	9.0	8.9	7.5	7.2	....	121	6.0	1913 figured on present cap. stock.
Consolidated Gas (N. Y.).	6	4.7	4.9	6.7	7.4	7.6	7.5	7.2	....	129	5.6	Sub-cos. have large undistributed surpluses.
Western Union	4	6.8	1.7	5.8	5.7	5.4	4.0	3.2	....	59	5.4	Am. Tel. & Tel. has relinquished control.
Railway Steel-Spring com.	0	0	—1.3	5.3	6.0	0.3	5.8	1.3	....	28	4.6	2% div. May, 1913.
Am. Sugar Refining com.	7	6.5	7.5	3.9	3.8	9.6	8.7	1.9	....	108	1.8	Affected by tariff. Much litigation pending.
Va.-Carolina Chemical com	0	0	3.7	7.1	10.4	3.1	3.3	0.5	....	29	1.7	Owns Southern Cotton Oil Co.
Pacific Mail	0	0	—2.1	—1.7	—1.1	—1.0	—0.1	0.1	....	22	0.5	Contr. by So. Pac. Panama Canal should incr. earngs.
Am. Woolen com.	0	0	—3.9	5.2	2.2	2.1	2.1	—19.9	....	16	0	Affected by new tariff.

Earnings and Dividends

The Position of Standard Stocks Viewed in Perspective

B. F. Goodrich Co.

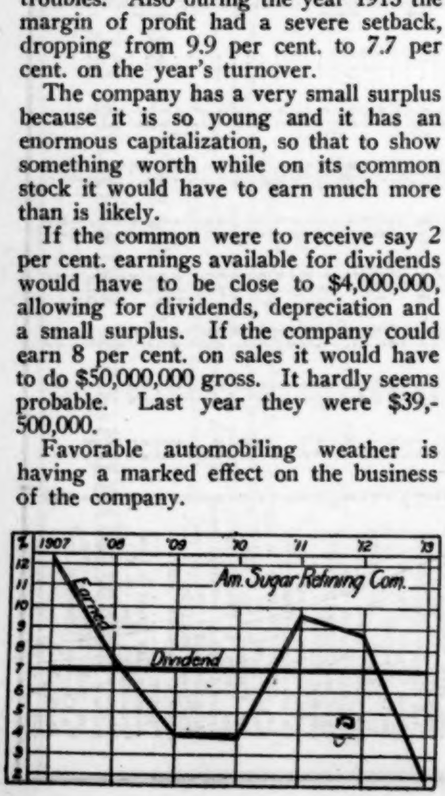
SO far as business is concerned the company should show excellent results for the year to end December 31, 1914. The stocks of the company have been strong, undoubtedly a reflection of the fact that the company is turning out something like 10,000 tires a day besides something like 17 miles of rubber hose, seven miles of belting and 20,000 pairs of rubber shoes. The entire mechanical department is running full.

For the year ended December 31, 1913, $900,000 less was earned than in the nine months reported for 1912 because the tire industry suffered a marked setback during the year, added to which were strike troubles. Also during the year 1913 the margin of profit had a severe setback, dropping from 9.9 per cent. to 7.7 per cent. on the year's turnover.

The company has a very small surplus because it is so young and it has an enormous capitalization, so that to show something worth while on its common stock it would have to earn much more than is likely.

If the common were to receive say 2 per cent. earnings available for dividends would have to be close to $4,000,000, allowing for dividends, depreciation and a small surplus. If the company could earn 8 per cent. on sales it would have to do $50,000,000 gross. It hardly seems probable. Last year they were $39,500,000.

Favorable automobiling weather is having a marked effect on the business of the company.



American Sugar Refining

After a miserable year in 1913 which, of course, was in keeping with the variable fortunes of the company, the current year to date shows things in a better light. It earned less than 2 per cent. on the common last year. Materially better earnings have cheered the current year so far.

For the March quarter it is understood that the dividends for the period were earned which is something of a contrast with 1913 when the whole year showed but 2 per cent. earned when 7 per cent. was paid.

It requires $6,300,000 annually to pay 7 per cent. on both preferred and common or $1,575,000 per quarter.

Conditions in the sugar industry have changed considerably during the past six months. Prices are much better than they were, due to the fact that the severe price cutting has practically ceased or at least is greatly abated. All this makes for better profits for the American company. It takes but a small change in price to make a very large difference in the earnings statement of the company.

From now on when the canneries use such enormous amounts of sugar there should be an even greater improvement in earnings. If the company gets its operations up to about 85 per cent. or 90 per cent. and there is no renewal of price cutting or other difficulties the earnings should show up very well for the year. The showing of 1912 when 9.8 per cent. was earned on the preferred and 9.6 per cent. shown on the common is hardly to be expected, but the awful statement of 1913 will certainly not be duplicated.

The company endeavored to take time by the forelock by the heavy purchase of raw material a while ago when prices were low. As a result of this foresight it has already a handsome profit on these purchases alone. As to its remaining holdings of other companies stocks it would no doubt receive reasonable offers for their sale.

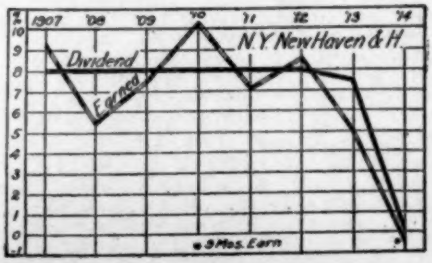
New Haven

Holders of New Haven stock will doubtless have a long wait before they get dividends again on their stock. By the frightful processes through which the unwieldy and largely unprofitable system of links and subsidiaries was built up the treasury was milked dry and the means for continuing dividends were atrophied.

Maybe after all this investigation of New Haven affairs is concluded and the system broken up completely and some new scheme of things arranged the road will have been nursed back to a position where stockholders can look with some hope of getting a dividend payment again.

This much is certain that the old eight per cent. amount will never return. That statement can be made with reasonable certainty for it will be ten years, possibly fifteen, or more, before the New Haven is back in a position where eight per cent. can be paid with absolute prudence. The likelihood is that it never will be back to that position. Reading is now paying eight per cent. and is the only road in the country doing so. There is the Canadian Pacific paying 10 and the Union Pacific going to an 8 per cent. basis. All the others go from 7 per cent. down with the preponderance of those paying 6 per cent. or lower. In the light of all this which takes in the very best railroads in the country and some that could well afford to pay more than they are it is a safe prophecy to say the New Haven will never again pay 8 per cent. on its stock.

So anyone holding this stock may as well now as later make up his mind that the most he will get is 6 per cent. But before he gets that he will probably get 2 per cent., then 4 per cent. and then 6 per cent. All this will take years.



Seaboard Air Line Preferred

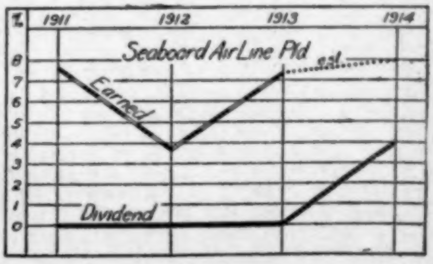
The Seaboard is a coming property. Up to 1908 the road actually retrogressed. Then it was put into reorganization. Since then the trend has been in the other direction. In 1908 net earnings were no larger than in 1904 and a surplus had been turned into a deficit. By 1913 the gross had jumped nearly 100 per cent. from the 1904 figures and the net over 100 per cent. from the 1908 figures. Moreover earnings on the preferred stock in 1910 amounted to 5.08 per cent., in 1911 to 6.4 per cent., in 1912 to 2.37 per cent., and in 1913 to 6.14 per cent.

The company is probably not yet in a complete position to handle a great deal more traffic than it does, but it is coming toward that condition very rapidly. Since 1909 over $5,500,000 has been put back into the property from earnings. Some months ago the president announced that betterments costing about $5,000,000 were under way among which was a considerable amount of double tracking.

In the current year Seaboard's earnings are well ahead of last year. With the physical and financial improvement that has been wrought in the road it would seem as though the recently inaugurated dividends on the preferred stock could be maintained.

It would not be surprising if in a few years that issue should be very attractive.

The market position of the stock may be inferred from the way it has risen from the early forties somewhat more than ten points and has maintained that advance, although it is distinctly understood that the dividend is being paid by the quarter and is not a regular disbursement. In 1913 the stock was at 38, from which it has gone past 55, with slight reactions.



The Investment Digest

THE items below are condensed from leading financial and investment publications and from official sources. Neither "The Magazine of Wall Street" nor the authorities quoted guarantee the information but it is from sources considered trustworthy. We endeavor to present in a few words the essential facts in regard to each company, For additional earnings, see also "Bargain Indicator" and "Monthly Net Earnings."

American Beet Sugar.—FEARS THAT TARIFF REDUCTION IN SUGAR would seriously cripple Am. B. S. appear now to be without foundation. For while in 1913 Co. earned only 2¼% on common stock after pfd. stock divs., indications this yr. point to much better earnings. Loss in earnings this yr. has been met by Co. by reducing price paid for sugar beet. Reduction in costs alone equivalent to additional net earnings of $630,000 on the same production as last yr., provided same average price was received for sugar and indications all point to prices being equal to last yr., if not higher. Estimate of management of net earnings this yr. over $1,000,000, equivalent to $5 per share after payment of pfd. stock divs.

American Car & Foundry.—POSITION OF CO. such that it can take good advantage of any improvements. Policy of the Co. has been to be conservative in the matter of divs. on common stock, which has enabled them to build up a reasonably strong surplus and acquire also increased capacity at the plants. With improvement in business there is prospect for an increase in the div. within the next 2 or 3 yrs. Understood that for yr. ending Apr. 30 last Co. earned practically about same as in yr. 1913. That is, 4.09%.

American Can.—BUSINESS thus far in 1914 is in excess of business to this date last yr. Reduced earnings of 1913 were result of failure of later crop of fresh vegetables usually canned. The Co. should, weather and crops fulfilling present promises, make for 1914 the largest net earnings in its history. Co. owes back divs. of $8.96 on pfd. shares, but it is not expected that any payments towards this will be made until government suit for dissolution is ended. Co. is strong in working capital. Sales of new adding machine have been large. Co. is now perfecting a higher grade type of adding machine, which will sell for about $75 and will be on the market by Oct.

American Ice Securities.—1ST HALF of operating concern's fiscal yr. closed with earnings below the corresponding mos. in prev. yr., but materially ahead of 2 yrs. ago. In fiscal yr. ended Oct. 31, 1913, operating Co. earned 11.12% on outstanding pfd. stock, which was 2nd largest amount in history of Co. Prices last yr. were considerably below those of earlier yrs. At present there are 53½% in back divs. due on the stock of the Ice Co. Total accrued div. on pfd. issue amounts to $7,982,000, of which 96.2% applies to the stock owned by the Securities Co. On this basis earnings of 11.12% on pfd. stock of the Ice Co. are equal to 7.5% on the stock of the Securities Co. There is rumor of initial disbursement on Securities Co. stock, but directors have not made up their minds on this point.

American Locomotive.—FISCAL YR. ending June 30 is not expected to show much, if any, earnings available for com. shares. Situation of RRs. during past 12 mos. is responsible for this. Co. has now had 4 yrs. out of the past 6 with no earning power on its com. shares. It has now shown average earnings for last 6 yrs. of about 4% per annum on the com., compared with average earnings of 14% per annum for prev. 6 yrs.

American Sugar Refining Co.—DISPOSED OF CERTAIN BEET SUGAR STOCKS recently having a par value of over $1,000,000. The price paid is a matter of private knowledge only, but it is understood that Co. must have had to make a decided confession to the buyers. Since 1908 the Co. has sold sugar stocks with a par value of $12,930,680 and still has left in its treasury a total of $23,519,000. Of this amount the best stocks account for $21,091,000. This investment is carried on the Corporation's books at a considerably smaller figure, probably not much over $14,000,000.

American Telephone & Telegraph.—GROSS EARNINGS of Co. so far this yr. have been running at a rate to indicate a gain for 12 mos. of between $11,000,000 and $12,000,000. This is the smallest rate of gain in any yr. in the last 3. It compares with an increase of $16,500,000 in 1913 and of better than $19,000,000 in 1912. Co. had at the end of May cash balance of over $55,000,000, representing cash carried over from 1913, funds from the sale of Western Union stock and replacement by subsidiaries of part of the advances made to them. Another $5,000,000 subsidiary notes due this mo. were to have been taken care of from funds in hand. Construction program will be slowed down this yr. to as great an ex-

tent as can be done without injury to the efficiency of the service. Possibly the expenditure will be $40,000,000 instead of $55,000,000 as last yr.

American Woolen.—OPERATIONS at its mills for the past several wks. have been only ¾ of full capacity. Just at the moment the entire woolen organization is running about 70% full. Disappointing phase of 1914 business is in its inability to negotiate a full capacity schedule at its big plants, which is necessary to cut down overhead costs and operate economically. Politics, tariff and general depression are held responsible for unusually low prices and poor business. In about a mo. the Co. will open its 1915 spring selling season and will probably name prices substantially above a yr. ago.

American Writing Paper Co.—DECLINE IN BONDS recently reflects continued inability of the Co. to fully earn its int. charge. It will be recalled that the fiscal yr. to Dec. 31 last showed a deficit above int. and sinking fund operations of $229,000. The 1st quarter of 1914, the 3 mos. to Mar. 31, recorded a comparative gain in net profit, but the margin of earnings was still somewhat less than that quarter's proportion of the $950,000 annual int. and s. f. charge. Volume of sales this yr. is slightly more than holding its own with 1913. Difficulty with the Co. is too heavy a bonded debt in proportion to assets and earning power. Paper trade generally is in a poor condition and this Co. is simply keeping step with the general situation in the course of its 1914 sales and profits.

Atchison.—EARNINGS for May and June equaled to last yr., would show $195,600,000 com. stock for yr. ending June 30, about 7.6%. Earnings in the last 2 mos. have compared much more favorably with last yr. than earlier mos. and income acct. for yr. likely to work out about as follows: Net operating income $32,214,000; balance after charges $20,714,000. From July 1 last to date only $4,763,000 bonds were converted into stock, whereas in prev. fiscal yr. $20,707,000 were converted. 10 mos, loss in gross of almost $6,000,000 was nearly ⅘ absorbed by decreased expenses. Declining revenues have been met with curtailed expenditures for current upkeep. Last yr. 10 mos. taxes took up 3.9% of gross compared with 4.9% this yr. If Kansas and Oklahoma produce 160,000,000 bushels of Winter Wheat, Atchison's share of tonnage it is est. would mean $8,000,000 in gross. Last fall from the same sources earnings were $4,500,000.

Baltimore & Ohio.—DEFICIT after com. divs. for yr. ending June 30 next will not be large, if there is any at all. Indications are for a fraction more than 5% earned on com. Understood that the board of directors will continue to pay the 6% divs. Co. may possibly ask Commerce Commission for permission to extend the flood damage in the next yr. If May and June earnings are no better than last yr. and estimating other income and fixed charges for 7 mos., the results will be about as follows: Surplus for 1914, $10,418,000, as compared with $13,382,000 for 1913, leaving for $152,000,000 com. stock after pfd. divs. for 1914, 5.3% compared with 7.2% for 1913.

Baldwin Locomotive Works.—LOCOMOTIVES TURNED OUT during 1913 amounted to over 2,000. The largest production in its history and compared with about 1,600 each in 1912 and 1911. Working capital on Dec. 31 was $13,699,000, of which $4,563,000 was in cash, compared with working capital at end of 1912 of $11,926,000. The Co. is experiencing the slack conditions attendant on the railway equipment market at present time, but is in a position to take advantage of all business offered when railroad buying reappears in market.

Bethlehem Steel.—TRAFFIC ARRANGEMENTS with European ship owners it is announced have been made to bring to the U. S. within the next 2 yrs. a total of 750,000 tons of iron ore from the mines in Chili recently leased by the Co. This shipping contract is to be in effect until the fleet of ore carriers now being built especially for this traffic by Swedish transportation interests is ready. The latter is to be for a long term of yrs. Report that Co. has arranged a loan of $30,000,000 to the Chinese government is denied by an official of the Co., but it is believed that it is not without foundation in fact.

Boston & Maine.—GROSS EARNINGS at end of 10 mos. amounted to $39,470,000, as against $40,491,000 in the same period of 1913. Net income for same period amounted to $5,881,000 as compared with $6,811,000 last yr. The final deficit for this period amounted to $1,925,000, whereas $286,000 was earned toward divs. in corresponding time of 1913. Larger deficit this yr. is due not only to falling off in operating revenues, but to heavier fixed charges. Up to end of Apr. Co. was obliged to pay out $1,007,000 more in int. and discounts than in same time last yr. Current yr. shows road has some progress in increasing operating efficiency. Report on the property made by H. I. Miller recommends an expenditure of $14,848,000 for additions and betterments during next 3 yrs. Within 5 yrs. system needs about $25,000,000. Gist of report of this; by putting into effect new freight and passenger rates it may be expected annual revenues will be increased by $1,650,000.

Brooklyn Rapid Transit. — GROSS EARNINGS up to June 1, the beginning of the last mo. of fiscal yr., expected to show a gain of about $800,000. If June is equal to yr. ago the yr. as a whole will show an addition to gross revenue of nearly $900,000. Practically as good as the 1913 fiscal yr. General statement is made that probabilities are that Co. will earn about $4,600,000 for the stock, or a little over 6% on the entire

$75,000,000 stock, which will probably be then outstanding. Understood that management believes that it has 6% div. rate well in hand and that additional charge imposed by conversion of bonds can be easily met and that added cost of universal transfers granted in Mar. of this yr. can be absorbed in operation without unfortunate results.

Brooklyn Union Gas Co.—SEMI-ANNUAL EXTRA DIV. goes toward completion of plan to make div. payment since 1905 average 6%, including extra div. declared late in May 6% has been thus paid for this purpose.

California Petroleum.—EARNINGS FOR APR. showed improvement over same mo. last yr. As crude oil price in one of the Co.'s contracts was reduced by 11 cents a bbl. beginning Jan. 1, earnings for 1st few mos. showed a falling off compared with last yr. Net earnings before depreciation for 1st 4 mos. of 1914 were $702,000 compared with $723,826 last yr. Since early part of yr. Co. has brought in a big well now running 3,500 bbls. daily and loss in profits through reduction in price is being offset by output of this well. Understood that further increase in production is promised by bringing in several additional wells. Expected 5 mos. earnings will be about up to those of same period last yr. and that steady increase will be shown during rest of yr.

Central Leather. — EARNINGS ARE RUNNING VERY WELL this yr. and by Dec. 31 the Co. should have a surplus of at least $8,000,000, which means a surplus of nearly $25 per share for common against a 1911 surplus of a slight amount over $5 per share. Co. with its present surplus has a reserve equal to more than 3 yrs. of 7% div. on the pfd. stock.

Chesapeake & Ohio.—EARNINGS ON STOCK for fiscal yr. ending June 30 will be about 5%. The final figures may show a little below this or a trifle above, with chances favoring the former. To show 5% on stock surplus of $3,139,630 must be earned. At the end of 10 mos. surplus for div. was $2,600,633, or approx. $500,000 below the equivalent of 5% on the stock. If the surplus for the last few mos. of current yr. should break even with last yr. the 5% would be just about earned. A surplus of 5% would be 1%, or about $627,000 in excess of div. requirements. C. & O.'s outlook is considered favorable. The $1,700,000 equipment tr. certificates just sold will go for new coal cars ordered earlier in the yr.

Chicago & Eastern Illinois.—NEGOTIATIONS with the St. Paul for the purchase of this Co. have been denied by the Pres. who says: "The condition of the property was never better; all we want now is more business. We are loading 200 cars of coal daily, whereas we should load 600 or 700 at this period. We expect better coal movement, however, as soon as the people who stocked coal against the strike begin buying. We have enough freight equipment for all traffic in sight until autumn, including largest surplus of good order cars in the Co.'s history. Our passenger business holds up very well and shows no decrease. Advanced freight rates would noticeably benefit general business."

Chicago Great Western.—TRAFFIC AGREEMENT rumored to have been made with the Grand Trunk Ry. or will be arranged shortly which will practically assure the payment of divs. on the $45,246,000 of pfd. stock. Official confirmation has not yet been made, but Western RR. circles believe in it fully. Reports that Grand Trunk would shortly acquire a controlling interest in Great Western are denied on good authority. Divs. at rate of 4% become cumulative July 1. On present indications Co. this yr. should earn gross revenues very close to the $15,000,000 mark, and after making all charges surplus should be in the neighborhood of an even million dollars, which would be equivalent to 2.25% on the pfd. stock outstanding.

Chicago, Milwaukee & St. Paul.—ANNUAL REPORT for the yr. ended June 30, 1914, expected to show a substantial margin over 5% div. requirements on com. stock, after taking care of 7% pfd. div. Returns for the system, including Tacoma Eastern and other lines, for the 10 mos. to the end of Apr. show a balance after int. charges available for divs. of $11,640,000. Deducting the pfd. div. for the period, a balance remains equivalent to 4.2% on the $116,348,200 stock outstanding. Current results from operation are now making very favorable comparisons with this time last yr. and complete returns for yr. should show something like 6% earned on the St. Paul com. Volume of business has been improved, but the more favorable showing in net is due to the fact that working expenses have been kept down as far as possible. The outlook for the Co. is good. Business in the territory served is becoming better owing to the excellent crop prospects and a heavy volume of traffic anticipated during the summer and fall.

Chicago & Northwestern.—PROCEEDS FROM RECENT ISSUE OF BONDS understood are to be used in the main for improvement and betterment to the system. Expected the proceeds will provide Co. with sufficient funds to meet its requirements for time being and it will not be necessary to do any further financing for several mos. Co. is one of the few RRs. of country that have shown improvement in earnings in current fiscal yr. Surplus available for div. for 9 mos. amounted to approx. $10,500,000, which is equal to a full 8% on the $22,395,000 preferred stock outstanding and over 6½% on the com, which pays 7%. It is evident that the full yr.'s div. requirements on common stock have been earned during 1st 3 quarters of current yr.

Cleveland, Cincinnati, Chicago & St. L.—CO. HAS ORDERED 5,000 freight cars. Expected that further orders will be placed by Co. in near future, running perhaps up as high as 7,200 cars. Financing of these purchases is being done by Co. itself instead of entering a joint equipment trust with other N. Y. Central lines as done in prev. yrs. because the other Central lines do not contemplate any important orders for the near future.

Colorado Fuel & Iron.—IT IS now practically certain that no action will be taken this yr. by Co. in regard to payment of div. on its pfd. stock in view of the Co.'s losses from the strike in the Colorado coal fields. In 1913 Co. paid a total of 41½% on the pfd., of which 35% was disbursed against the accumulated divs. The accumulation still unpaid now amounts to 39% on the pfd. issue.

Corn Products Refining. — SETTLEMENT OF GOVERNMENT SUIT not expected to be made out of court. Pres. says that if government were successful in its efforts to break up the Co. in his opinion the com. stock would not be worth a cent and the pfd. would have little value. Co. has not been showing anything earned for its com. stock. In fact it earned but 6.8% on its $29,826,000 outstanding pfd. stock last yr.

Crucible Steel.—DECLINE IN OPERATIONS in last 3 mos. due to dullness of steel business, altho during Jan. and Feb. revival in buying placed a considerable amount of tonnage on its books. At present Co. is running on a slightly higher percentage basis than other independents. Working capital at end of fiscal yr. was $15,410,000, an increase of more than $3,000,000 over prev. yr. and largest in Co.'s history. Co. has made heavy expenditures in last 2 yrs. for improvements. Back div. to amount of 16% on pfd. still owing. As far as it is known no plans under consideration for further expenditure for new construction.

Denver & Rio Grande.—DEFICIT IN OPERATIONS is the story of the 1st 3 or 4 mos. of Denver's operations. 10 mos. of current fiscal yr. has so far produced only $609,000 over all operating expenses, fixed charges, income bond int. and other deductions. Under this trend it appears that the Denv. will have difficulty in improving on the 10 mo. surplus showing for the full 12 mos. Yr. will be closed with a surplus of not more than $600,000 and it may possibly be less, altho in May and June operations may do something better. In this event the Denv. should be in position to contribute from its operations about ¼ of the int. which it guarantees on the Western Pacific 1st. mtge. bonds. Western Pac. operations for the 10 mos. indicate that this Co. will be able to contribute not more than $600,000 towards its own int. requirements for the full fiscal yr. The past yr. has been an extremely unfortunate one for both roads. The coal strike in Colo., excessive and damaging weather conditions along the Western Pacific and general business stagnation in the Co.'s territory have all contributed towards the poor results.

General Electric.—OPERATIONS THIS YR. have shown a satisfactory trend in the manner in which gross sales have held up despite recession in so many lines of business. Incoming orders for the 4½ mos. to the middle of May have been at a rate equal to 85% of last yr. This is somewhat better than Dec. estimates indicated. At that time the management felt that the Co. would do well to book 75% of 1913 business during the current calendar yr. Gross sales from Jan. 1 to about middle of May were at annual rate of between $93,000,000 and $94,000,000; inasmuch as the Co. carried over into this yr. about $10,000,000 or more of unfilled orders, the yr, as a whole should show between $90,000,000 and $95,000,000 of goods billed to customers, even allowing that no improvement in orders occurs before the close of 1914. It is the belief of officials that in the next big upswing in general business the Co.'s gross sales will cross the $125,000,000 mark, and that 2 successive yrs. of general prosperity would raise even this total. In recent weeks there has been a material curtailment in working forces. It is understood that total employees recently was not much in excess of 50,000 against 65,000 in 1913.

General Motors.—CASH POSITION OF CO. is very strong, and Co. expects to do very little borrowing next season. Note payment of $2,000,000 due next Oct. has already been paid out of funds, so that there are no more notes to be taken up prior to Oct. 1, 1915, when $7,901,000 fall due. No plan for taking up these notes has been considered as yet. Earnings are record-breaking. Information from reliable sources is to the effect that common stockholders of Co. need not look for divs., at least until late in the yr. or possibly early in the next calendar yr. Recent buying of shares came from investment sources, it is understood.

Goodrich (B. F.).—POSSIBILITY THAT THIS YR.'S output of tires by Co. will run into the second million. At present Co. is producing an average of 10,000 tires per day, or at the rate of 3,000,000 a yr. Operations, however, are always at maximum during the automobile season. The Akron plants of the Co. are now running 24 hrs. a day and the business of some of the other Tire Cos. is in the same condition. Relative strength in the Goodrich issues is undoubtedly a reflection of present large scale operations, for besides turning out 10,000 tires a day Co. is producing daily about 17 miles of rubber hose, seven miles of belting and 20,000 pairs of rubber shoes. The entire mechanical department is running full.

Guggenheim Exploration. — STRONG

POSITION of the Co. on Dec. 31 last showed cash and demand loans of $11,500,000, with no liabilities except stock. In addition Co.'s various investments in outside stocks are all carried on the books at cost. It has pursued the policy of acquiring stocks at low prices and holding them for divs. or until market values have greatly enhanced. With its investments at cost and surplus of $24,800,000, including the quick assets of $11,500,000, the Co. is amply provided with resources with which to make further investments or to distribute a substantial extra cash div. at any time without seriously disturbing its financial position.

Great Northern.—DECREASE IN GROSS EARNINGS for the 10 mos. ended Apr. 30 practically $1,500,000. At the end of Mar. it was estimated Gr. Nor. had earned its full yr.'s div., with margin of $1,400,000 to spare. In the div. charges was included 5 mos. accrued on the $21,000,000 new stock. To the end of Mar. the Co., altho gross revenues were $471,928 smaller than last yr., had spent $638,000 more in maintenance. In recent mos., however, there has been evidence of restricting expenditures, and this will probably continue if gross earnings fall much below last yr.'s level.

Illinois Central.—GROSS EARNINGS FOR 10 MOS. ending Apr. 30 were $1,211,391 ahead of corresponding period of 1913. May business, it is understood, has shown some decline, but it is too early in the mo. to state how much; last spring the serious floods operated to give 1913 earnings a setback. A director said recently the recovery in earnings has been most satisfactory. It is now earning better than 7% on its $109,296,000 outstanding stock. With respect to net earnings it is important to note that the gain has not been made at the expense of maintenance.

Interborough Rapid Transit.—TEN MOS. ENDED APR. 30 showed Co. had earned 18.8% on stock as compared with 15.5% for corresponding period of last yr. Over 15,000,000 more passengers on subways and elevated lines than last yr. In 10 mos. Co. earned over 8% in excess of whole yr.'s div. rate of 10%. Co.'s record earnings afford plenty of margin for some extra disbursement this yr. Preliminary statement shows 11 mos. gross is about $875,000 ahead of last yr. Looks as if 12 mos. would show gain of close to $1,000,000, which compares with increase of $1,251,000 for the 1913 yr. Co. is saving more than 100% of gain in gross for net. Full yr. expected to show gain in net of about $1,300,000. The 1st gain since 1911, indicating share profits of between 21% and 22%, against 18.6% in both 1912 and 1913. Possibility of extra div. is basis for rumor that Int. Met. will some time this yr. declare a div. on its pfd. stock.

International Agricultural. — PRELIMINARY ESTIMATES promise net profits for yr. of fully $1,000,000. They may run 10% to 15% larger. At the end of Je. 30, 1913, yr. profit and loss deficit was $1,357,637, the surplus above int. this yr. will be able to cut this down at least $400,000, and possibly $600,000, so that another yr. as profitable as that just closing might easily see the creation of a small profit and loss surplus.

International Mercantile Marine.—BENEFITS to be derived by White Star Line's chief subsidiary are an open question, even though the decision of Supreme Court recently said that Co. was entitled to the benefits of American Limited Liability Law of 1851, which limits liability to value of salvage recovered and passenger money received. This it has been estimated will not amount to more than $97,000 in case of Titanic. It is estimated that there are about 625 claims on acct. of this accident, representing altogether more than $25,000,000.

International Nickel.—BEST YR. IN HISTORY OF CO. would have been shown for 1913 had the level of copper prices last yr. been as high as in the preceding yr. As it was in the 12 mos. ended Mar. 31, 1914, it reported a balance for divs. of $4,792,665, only $227,000 less than in the preceding fiscal yr., its record yr. This balance was equivalent, after providing for pfd. stock divs., to 11.19% on the common against 11.79 in 1913. Of current assets of $9,210,441, cash amounted to $4,289,021, or 46.5%. Current liabilities aggregated $1,825,880, including almost $1,100,000 divs. declared, but not paid at close of fiscal yr. Excess of current assets over current liabilities amounted to $7,384,561. Policy of plant improvement and development was continued last yr., $1,391,290 being charged to property.

International Paper.—TOTAL ASSETS of this Co. as of Jan. 31, 1914, amounted to $73,010,714 in comparison with $72,821,571 in the yr. before. Real estate and machinery are carried at $47,079,297, material stock in process and merchandise at $8,122,923, and cash and debts receivable at $7,894,638 against $7,761,239 last yr. Notes and accts. payable are $6,664,522; the funded debt is $15,417,000, and the profit and loss as $11,079,692, comparing with $10,596,989 a yr. ago.

International Smelting. — ORGANIZATION EFFECTED UNDER MONTANA LAWS with $15,000,000 capital, all of which will be owned by Anaconda Co., to take over properties in Utah and Arizona of the Int. Smelt. & Ref. Co. of N. J. This company was taken over by Anaconda Co. through exchange of shares. Anaconda Co. will hold direct the other assets of the Int. Smelt. & Ref. Co., including the stock of the Raritan Copper Works and others. The Raritan Copper refinery has cap. of 35,000,000 lbs. monthly. Largest in the world but one. Through the acquisition of various plants of the Int. Co. the Anaconda Co.

will for 1st time figure as a lead producer of importance.

Lehigh Valley.—TEN MOS. NET ended Apr. 30 was $2,350,000 more than last yr., equivalent to 3.8% on $60,501,700. Indications are that in the yr. to end Je. 30 road will earn div. requirements with a surplus of a few hundred thousand. If traffic should not hold up in closing period of yr., there is a possibility that the road would fail to cover div. requirements by a slight margin. Gross for 10 mos. decreased $2,859,000, or 8%, and taxes increased slightly, but a reduction in expenses of somewhat over $500,000 kept loss in net to $2,350,000. Lessened demand for anthracite explains most of the loss in gross. Tonnage of freight other than coal early in the yr. declined, and freight revenue for 10 mos. declined 9.3%. Maintenance, which was 40% greater in 1913 than in 1910, was curtailed $886,000 in the 1st three-quarters of current yr. With expenses being kept down net in last 2 mos. of yr. expected to run close to 1913 figures.

Louisville & Nashville.—NINE MOS. TOTAL OPERATING REVENUE for the period ended Mar. 30 was $46,004,197, an increase of $1,137,034 over the total for the corresponding period of prev. yr. Total operating expenses were $33,943,362, an increase of $1,171,818, and net operating income was $10,503,518, a decrease of $267,751.

Missouri, Kansas & Texas.—NINE MOS. TOTAL OPERATING REVENUE for period ended Mar. 31 last was $24,783,148, a decrease of $477,280 compared with total for corresponding period of prev. yr. Total operating expenses were $17,929,249, an increase of $821,260, and net operating income less taxes accrued were $5,603,664, a loss of $523,859.

Missouri Pacific.—NOTES that were due Je. 1st that were undeposited, were bought privately by the bankers and Gould estate, and then were exchanged by them for the new notes that were made by the Co. as an extension of those due Je. 1st. In this way the Co. got rid of an embarrassing situation.

New Orleans, Texas & Mexico.—REQUIREMENTS IN CASH, according to counsel, understood to be not in excess of $6,000,000, including amount necessary to pay off receivers' certificates. This would place the road in good condition for handling traffic economically. Stated that it will probably require approx. $2,000,000 to provide proper equipment, but this will be taken care of by equipment obligations, so that only about $6,000,000 in bonds will be a prior lien to present mortgage or the securities which may be issued and exchanged therefor when reorganization is perfected.

New York Air Brake.—EARNINGS FOR FIRST 4 mos. of 1914 understood to be entirely satisfactory. Apr. being the 2nd best mo. in Co.'s history, so far as profits were concerned. This is a particularly good showing in view of the general and pronounced depression in the equipment market and augurs well for earnings of the latter part of the yr., when it is expected railroads will come into the market more liberally for equipment.

New York Central.—NET AFTER TAXES for the 1st 4 mos. ending Apr. 30 understood to be about $1,643,000 below same period last yr. Surplus over divs. for all of 1913 was but $2,000,000, indicating that the road during the 1st third of 1914 did not earn its divs. The deficit was between $2,500,000 and $3,000,000. It is not unusual for it to fail to cover accrued proportions of the yr.'s div. during 1st few mos., but unusual to fall behind so much as this yr., or for the net of all N. Y. Central lines to decrease $8,390,000 in any 4 mos. Directors are hoping for an increase in freight rates and for a turn for the better in traffic not now clearly in sight. They have not yet resorted to a drastic reduction of maintenance, nor any other impairment of the system's efficiency because of the large crop in prospect.

New York, Chicago & St. Louis.—ANNUAL REPORT for yr. ending Dec. 31, 1913, issued May 30, shows .19% earned on its $14,000,000 outstanding common stock as compared with 6.30% in 1912. This balance remains after paying 5% on the $5,000,000 outstanding 1st pfd. and 5% on the $11,000,000 2nd pfd. Surplus earnings for 1913 after fixed charges were just about cut in two. Fixed charges amounted to about the same as 1912, consuming about 78% of the sum available as against 47% in 1912. Amount remaining for divs. was less than half the sum returned in 1912 and equivalent after taking care of 1st and 2nd pfd. div. to .19 on the common. Last yr. Co. earned 6.30 on the same amount of common. Road's poor showing was largely due to the interruption of traffic and damage to property brought about by the spring floods of 1913.

New York, New Haven & Hartford.—GROSS EARNINGS IN MAY were disappointing, being considerably lower than in the corresponding 1913 mos. Net for May and Je. should show some improvement over 1913, and it is still believed that the current fiscal yr.'s income would be about as est.; that is, just about sufficient to cover fixed charges and the div. paid during 1st quarter of yr.

New York, Westchester & Boston.—GROSS FOR YR. TO DATE shows 40% increase, while operating expenses have decreased 8%. Able improvement, such that not only were operating charges met, but a small contribution to taxes was also made. In May the improvement was carried still further. In Je. it is understood there will be still further improvements. Continued real

estate operations along the lines expected to be of large benefit. Operating now more than 300 trains daily.

Northern Pacific.—TEN MOS. OF YR., up and including Apr., 1914, total operating revenues were $57,811,018 compared with $60,885,498 in the corresponding period of prev. yr., a decrease of $3,074,480; operating expenses were $35,344,350 compared with $36,787,790 last yr., a shrinkage of $1,453,-440. Gross corporate income in 10 mos. was $22,582,831 against $24,420,517 last yr., a decrease of $1,837,686. Net surplus over 10 mos. proportion of taxes, rents and divs. was $1,183,589.

Ontario & Western.—DIV. DECLARATION of 1% likely this mo. Co.'s surplus available for divs. will permit such a declaration with a small margin to spare. Co. not showing its div. of 2% earned. 10 mos. ended Apr. 30 showed but .7 of 1% earned against 1.6% in the same period last yr. Surplus after charges for the 10 mos. was $438,251 compared with $981,090 in same period last yr., or a decrease of $542,-700 or 55%. The balance earned for stock in 1913 slightly better than 2%. Change of div. will affect New Haven, which owns 50% of O. & W. stock, a 2% div. meaning $583,000 to the former.

Pennsylvania.—GROSS FOR 1st 4 mos. of this yr. of $110,060,000 was more than $8,000,000 below corresponding period of last yr., but nearly $1,000,000 above 1912 and about $9,000,000 above 1911. Net was $13,246,728; improvement in Mar. and Apr. did not offset poor results in Jan. and Feb., and net for the period was about $1,900,000 less than 1st 4 mos. of 1913, and also less than same period in 1912 and 1911 by $4,-550,000 and $5,200,000, respectively.

Pittsburgh Coal.—RUMORS of payment of accumulated divs. on stock are now silenced; showing of Co. does not justify such talk. On acct. of uncertain outlook any action toward paying off any of the 40% accumulated divs. considered unfortunate. Co. not regarded as financially strong enough to do so.

Reading.—EARNINGS OF READING in common with the anthracite systems generally showing more than the average decrease. For 12 mos. ended Je. 30, 1914, decline in net will probably amount to $7,-000,000, which is equivalent to 10% on Reading's common stock. This would make earnings for current fiscal yr. about 10% on common as compared with 20.2% in 1913, 10.5% in 1912, 11.4% in 1911.

Republic Iron & Steel.—OFFERS until Je. 30 to retire its remaining outstanding 1st mtge. and collateral tr. bonds, dated 1904, at 105 and int. There are only $949,-000 of these bonds outstanding and they have been called for payment on Oct. 1 at 105, but Co. is desirous of giving its bondholders an opportunity of receiving the premium of 5% earlier.

Riker & Hegeman.—SALES IN MAY showed an increase over a yr. ago of close to 20%. Prominent interest in Co. says the new selling methods that became operative with change of control are now showing big results. Co. would earn more this yr. than yr. ago, even if there was not a single addition to the chain. Co. will continue to increase its manufacturing capacity. This will mean increased margin of profits.

Rumely (M.).—ABSORPTION by Int. Harvester Co. is said by certain interests to be merely a matter of time. Understood that if such a situation occurs pfd. stockholders would get favorable consideration, but common would not. Over against this assertion officials of Int. Harvester say there is nothing whatever in the rumor. Believed that absorption of Rumely by the Harvester would be complete solution of the former's financial tangle.

Seaboard Air Line.—INCREASE IN GROSS and net earnings this yr. over a yr. ago. Earnings have been making new high records. Conditions in Co.'s territory excellent. Expected directors will not be long in definitely establishing pfd. stock on 4% basis once the freight rate matter is out of the way. Seaboard not directly concerned, but will be benefited should other lines get the increase. Gross earnings for 10 mos. to end of Apr. $21,303,799, an increase of $793,343. Net earnings $5,862,662. Cost of conducting transportation, general expenses and maintenance about the same proportion to operating revenues as in 1913. Expected earnings this yr. on pfd. stock will be larger than $6.14 per share.

Sears, Roebuck.—GROSS SALES FOR MAY $7,552,310, an increase of $92,000 over the same mo. last yr. Gross sales in Apr. increased $400,000 and Mar. sales increased $822,000. For 5 mos. ended May 31, gross sales were $41,808,912, an increase of 6¼% over 1913.

Southern Pacific.—EARNINGS HAVE PROVED A DISAPPOINTMENT this yr. For 10 mos. ended Apr. 30 shrinkage in gross amounted to over $3,000,000, while net fell off more than $5,000,000. Indications are that earnings have probably turned the corner and there is likely to be an improving tendency in coming mos. Traffic on coast is now picking up. Opening of Panama Canal and exposition at 'Frisco next yr. should give stimulus to business which will be of immense benefit to the roads. Officials believe westward passenger movement this fall will be large.

Southern Railway.—EXPECTED THAT TRAFFIC will compare favorably with last yr. Management has not retrenched its maintenance expenditures in any way. Gross earnings for the 10 mos. ended Apr. 30 were over $1,000,000 ahead of corresponding period last yr., but higher cost of operations common to all the railroads of the

country resulted in a comparative decline in net of more than $982,000.

Studebaker.—PREFERRED DIV. of 7% earned for yr. 1913 about twice over, and a balance of slightly over 3.1% on the common, comparing with balance for prev. yr. of over 5%. Decline is explained by poorer business, total income falling off nearly 20%. Present yr. showing banner results. Sales for the 1st 2½ mos. equalled those of 1st half yr. of 1913, and number of automobiles sold during 1st 2 mos. was nearly twice that of the same 1913 period. Co. is concentrating on 2 models only.

St. Louis, Iron Mountain & Southern.—EARNINGS FOR 9 mos. ended Mar. 31 last compared with corresponding period of prev. fiscal yr. were as follows: Gross $25,-550,528, a decrease of $623,439; net, after taxes, $8,367,844, an increase of $432,492; total income $8,684,951; increase $482,038, and surplus after fixed charges $2,549,469.

St. Louis Southwestern Ry.—GROSS EARNINGS for 9 mos. ended Mar. 31 last were $10,116,766, a decrease of $223,097 compared with total for corresponding period of prev. yr. Net earnings less taxes were $2,182,328, a decrease of $924,283, and total income was $2,929,898. After deducting fixed charges for the period there was a surplus of $683,965 as against $1,749,236 in prev. yr. Co. has just passed its div. on pfd. stock.

Texas Co.—SALES are understood to be larger than ever, altho interests connected with Co. will not say anything as to net earnings further than that they will be satisfactory compared with last yr. and that considerable margin over 10% div. requirement will be shown. The volume of business has increased.

United States Steel.—UNFILLED TONNAGE, May 31, 3,998,160 tons, a decrease of 278,908 tons compared with that of Apr. 30, 1914. Decrease in May was slightly smaller than expected. Unfilled tonnage on Co.'s books at end of May smaller than at any time since Nov., 1911. May figures showed new orders for the mo. about 18,-000 tons a day, and shipments about 29,000 tons. June thus far considerably better than May.

Union Bag & Paper.—VOLUME OF BUSINESS has been affected by general adverse conditions, and has not been up to normal. Prices, however, have been better than last yr., so that in a general way the Co. is showing better margins over int. requirements than for corresponding period a yr. ago.

Union Pacific.—EARNINGS ON COMMON STOCK for yr. ending Je. 30 will probably be 13% as compared with 15.1% in 1913, 13.8% in 1912, and 16.6% in 1911. Current earnings are the lowest since the common stock was placed on a 10% basis in 1906. Earnings of 13% on the stock means about $7,000,000 surplus in excess of 10% divs.

U. S. Realty & Improvement.—GROSS INCOME of $3,419,609 in yr. ended Apr. 30, a decline of $139,694 from the revenue of 1913. Of this amount $1,384,178 came from building contracts and the remainder from investments. Net earnings amounted to $1,919,038, the equivalent of 8.18 on the capital stock as compared with 9.16 in yr. before. The yr.'s surplus was $514,398, a decrease of $159,024.

United Shoe Machinery.—EARNED $4.90 per share on its common stock in yr. ended Mar. 1, 1914, as compared with $4.88 for prev. yr. and $4.71 two yrs. ago. Suit against Co. for dissolution is still pending.

Virginia-Carolina Chemical. — STOCKHOLDERS APPROVE financial plan for authorization of $10,000,000 6% conv. debentures of which $5,000,000 only are to be issued at present.

Wabash.—REORGANIZATION PLANS call for assessment of $20 per share on both common and pfd. stock, which will furnish the Co. $18,480,000; understood that reorganizers will issue $14,000,000 5% 50 yr. ref. bonds, but they will not be offered for sale soon. Reorganization plans must be approved by Pub. Serv. Commissions in various States, so will not be effective for some time.

Western Maryland.—NEW MANAGEMENT is facing conditions on the property and putting the road in good shape regardless of consequences. This is making wretched showing in net earnings. Gross earnings are poor also.

Westinghouse.—ANNUAL REPORT for yr. ending Mar. 31, 1914, shows Co. earned approx. 10¾% on common compared with slightly over 8% in yr. prev. Balance available for divs. was $4,058,808 as compared with $3,164,032 in 1913. Gross sales best in history of the Co. Net earnings better than any yr. except 1911. Gross sales were $43,-733,645, a gain of $3,756,080 over last yr. Last yr. the cost of sales was 89% of gross as against 88.5% in the 1913 yr.

Western Union.—FIRST FOUR MOS. of this yr. gross income showed a decline at the rate of $750,000 per yr. This is the 1st important halt in the upward trend of gross in several yrs. and is attributed to general conditions. Understood, however, that lately a turn has evidenced itself, and that late earnings promise a gain.

Willys Overland.—ESTIMATED THAT NET PROFITS will equal 30% on common stock for yr. ending Je. 30. Car output this yr. expected to be 45,000 against 31,-000 last yr., an increase of 40%.

Mining Stocks

This section of the Investment Digest includes some of the more important properties, in regard to which authentic and trustworthy information has appeared during the month.

Alaska Gold.—The Co., with funds now in hand, will bring the mine and mill to the point of producing and treating 6,000 tons of ore per day in July, 1915, and this should yield net profits equal to $2 per share on 750,000 shares. It is intended, however, to make "Alaska" a 20,000-ton proposition. This means a much larger mill and large expenditure of new capital for construction. With the enlarged mill in commission, and the mine in shape to supply this enormous tonnage of ore, the management contemplates ultimate net profits of $7,000,000 per annum, or $1 per ton on 7,000,000 tons of ore.

Anaconda-Amalgamated. — International Smelting & Refining stockholders accepted Anaconda's offer of purchase on basis of 3 3/10 shares of Anaconda for 1 share of Smelting. The Int. Co. will be organized with $15,000,000 capital, to take over properties in States of Utah and Arizona of the Int. Smelting & Refining Co. of New Jersey. This Co. will be taken over by the Anaconda Co. through exchange of shares. The Int. S. & Ref. Co. will be dissolved. The new Co. will issue its stock in exchange for title to properties in Utah and Arizona and this stock will pass into the Anaconda treasury.

Anaconda Co. will hold direct the other assets of Int. Smelting & Refining Co., including stock of the Raritan Copper Works, and Int. Lead Refining Co. owning a big lead plant at East Chicago. Other subsidiaries to be acquired will be the Tooele Valley Ry. Co. and the Raritan Terminal & Trans. Co.

The annual report of Amalgamated Co. for 1913 shows net income of $8,871,799. Divs. paid $9,233,274, leaving deficit of $361,475. At end of yr. Co. had cash assets $19,212,885, and current liabilities $11,927,523, excess of assets $7,285,362.

Report of Anaconda Co. for purposes of taxation, for 12 mos. ended June 1, shows net earnings $8,613,564, against $11,446,901 last yr. Net earnings for 1913 calendar yr. were $11,323,498. As Anaconda has 4,332,500 shares outstanding, exclusive of 330,000 shares to issue for the Inter. Smelting & Ref. Co., the net profits for the yr. ended June 1 were equal to $1.99 per share, against $3 paid in divs. In other words, the Co. fell $4,350,000 short of earning dividend requirements for this period.

Braden.—Co. produced 2,720,000 lbs. of copper in Apr. and 9,313,000 lbs. in the 1st 4 mos. of this yr., an increase of about 1,000,000 lbs. a mo., compared with corresponding period of last yr., and will now probably be a steadily growing producer for several yrs. to come.

Butte & Superior.—Net earnings for quarter were $337,241, as against $319,984. In brief, during this quarter, Co. earned at rate of $5 per share per an., with spelter at about cost of production in this country, also increased its ore reserves and had $810,000 cash on hand at close of this period. Co. declared an initial quarterly div. of 75 cents a share, payable June 30 to stock of record June 12. The div. just declared will not apply to old $5 shares. This stock may be exchanged at the original ten-for-one basis for new shares. Holders of fractional share receipts can still either buy or sell to even up their holdings. During past 2 wks. the mill has been operating at recovery of 93% and with production of 54% zinc concentrates. The combination of high recoveries and high-grade concentrates is by far the best on record for the Co. and has an important bearing on earning capacity.

Calumet & Arizona.—Directors have declared the usual quarterly div. of $1.25 a share, which calls for $748,760, and will make a total of $20,716,982 paid since organization. The original Cal. & Ariz. stockholders have received a total of $74.25 a share in divs., which cost them, 13 yrs. ago, $10 or less per share. With copper selling around 14¼c., Co. must now be earning at rate of $6.50 to $7 a share annually, or fully 10% on the selling price.

Chino.—Co. produced 6,109,888 lbs. of copper in Apr. and for 1st 4 mos. of 1914 23,578,495 lbs., being at rate of more than 70,000,000 lbs. annually. There is every reason to expect that this record of production will be continued, and Chino will be in position within yr. to increase div. payments, even though copper should remain around 14c. a lb. Production is running about 2,000,000 lbs. a mo. above that of a yr. ago. Comparison as follows: 1st 4 mos.' production in lbs. in 1914, 23,578,495; in 1913, 16,068,685; in 1912, 4,639,831. Directors announce a regular quarterly div. of 75c. a share, calling for $648,800. This will make $3.75 a share, or $3,216,485 so far disbursed by this Co.

Goldfield Consol.—Report for May, 1914, shows 30,209 tons of ore mined, with net earnings of $152,000. This compares with prev. 3 mos. as follows: Net earnings in May, $152,000; in April, $153,000; in Mar., $162,000; in Feb., $182,182.

Hollinger Gold.—The four-weekly statement for period ended Apr. 22 shows gross profits $123,523, as compared with $121,641 for preceding 4 wks., a gain of $1,882. The surplus as at Apr. 22 stood at $786,970, against $753,446 on Mar. 25, an increase of $33,524 and almost $100,000 since opening of the current yr. The mill ran 93% of the possible running time, and treated 15,191 tons of ore, of which 1,013 tons were treated for the "Acme" Gold Mines. Average value of ore treated was $13.69 per ton; extraction was 95.1%. The tonnage extracted establishes a new high record, while the average value of ore was somewhat higher than in previous weekly period.

Miami.—Adolph Lewisohn has sent a personal letter to holders of the stock, saying Co. is producing at rate of about 40,000,000 lbs. a yr., at cost of about 9c. a lb. delivered at New York, which, at selling price of over 14c. net, would yield 5c. a lb. profit, or about $2,000,000 a yr. This leaves $500,000 above requirements of the regular $2 div. Mr. Lewisohn expects an increase of production to 50,000,000 lbs., at cost of about 8½c., and an expected selling price of not under 14½c., which would mean a profit of $3,000,000, or practically $4 a share. About 20,000,000 tons of 2.45% good quality ore is reported in sight. Production in May amounted to 3,347,000 lbs. of copper. This compares with 3,227,600 lbs. in Apr. last, 1,948,900 lbs. in May last yr. and 2,818,581 lbs. in May, 1912.

Nipissing.—Notwithstanding improvement in mine conditions, and better operating results shown during the past few mos., the extra disbursement, omitted 3 mos. ago, will again be omitted. Apr. operations resulted in net of $139,161. It is understood that earnings for 4 mos. ended Apr. 30 aggregated $600,000. Co. declared regular quarterly div. of 5%, payable July 20. Books close June 30, reopen July 21. Report as of June 8 shows cash on hand $865,318. Bullion in transit $250,140. Ore and bullion on hand and at mine $210,412.

Ray Consol.—Report states that during the quarter under review all construction work was completed. The Co.'s property is now a finished proposition and on a strictly operating basis, and during balance of the yr. it should at least maintain present ore output of more than 8,000 tons per day. Co.'s earnings for 1st quarter of this yr. were computed on basis of 14.4117c. per lb. of copper, and showing at the rate of about 11½% on the present selling price of its shares. Co. produced 6,227,693 lbs. of copper in Apr., making a new high record. During 1st 4 mos. of this yr. it produced 23,806,310 lbs. of copper, or at the rate of over 70,000,000 lbs. annually. With copper continuing at present price, Ray should earn at least $2.25 a share this yr. Co. declared a quarterly div. of 37½c. a share, which calls for $544,000. This is the 5th div. to be paid, making total payments so far $1.87½ a share, or $2,719,468. Comparison 1st 4 mos. of yr., in lbs.: in 1914, 23,806,310; in 1913, 16,884,261; in 1912, 9,833,851.

Utah Copper-Nevada Consol.—Utah Copper has declared a regular quarterly div. of 75c. a share, which calls for $1,190,000 and will make $16.50 a share, or $24,079,376 so far paid in divs. Nevada Consol. declared a regular quarterly div. of 37½c. a share. This calls for $749,796. It will make $8.12½ per share paid since incorporation, or a total of $16,226,809. There have recently been converted into shares of the Utah Co. $913,500 bonds of the Bingham & Garfield R. R. and deposits are coming in freely. These bonds are subject to call at 110, and are convertible into Utah Copper stock at $50 per share on or before July 1, 1914. When entire bond issue shall have been converted, entire earnings of the Railway Co. will show as income for the Utah Co., instead of only 20% thereof as in the past. Income from this investment should result in reduction in cost of Utah's copper production ¼c. per lb. The holder of $5,000 bonds is entitled, under the conversion privilege, to 100 shares of stock. This stock is worth $5,700 at present market price. The interest and div. returns are the same. The Nevada Consol. reports for Apr. an output of 4,880,000 lbs., making 20,477,000 lbs. for the 4 mos. from Jan. 1, against 20,173,000 lbs. in 1913. The present large earning capacity of Utah Co. is nearly 3 times present div. requirements. With earnings of $5 per share and divs. of $3, Co. is rapidly placing itself in a strong position. Not until Co. is absolutely free of the necessity of borrowing will directors give serious thought to increase in div., but as this borrowing is now less than $1,500,000, it only remains for the metal market to pick up to cause this indebtedness to disappear. Co.'s cost is now about 8c., and this means $7 per share for the stock on a 14c. metal market and current rate of output. On a 200,000,000 lb. output it means profits equal to $8.50 per share, including Neveda Con. divs. in both instances.

Copper Output in 1913.—"Geological Survey" places smelter output of copper in the United States in 1913 at 1,224,484,098 lbs., a decrease of about 1.5%, compared with 1,243,268,720 lbs. in 1912. These figures are practically final. The total production of new refined copper in 1913 was 1,615,067,782 lbs., the largest output in history of the industry, exceeding that of 1912 by 46,963,304 lbs.

Copper Producers' Asso. reports stocks of copper on hand June 1 as 84,342,641 lbs., an increase of 14,005,640 lbs., as compared with 70,337,001 lbs. on May 1.

	May.	April.
Production	142,308,287	151,500,531
Domestic deliv....	55,592,170	63,427,633
Foreign deliv......	72,710,477	82,345,216
Total deliv........	128,302,647	145,772,849

OIL DEPARTMENT

Oil Investments from a Practical Standpoint

No. 1.—Producing Companies

By JO. P. CAPPEAU, Jr.

This is the first of a series of articles of this character from the author, who has had large experience in oil investments. They will take up the subject in all its principal aspects.—EDITOR.

THE oil business may be readily divided into four branches. Production: drilling and operating oil wells. Transportation: the pipe lines, tank cars and steamers that transport the crude oil from the wells to the refineries and the refined products to the markets. Refining: the manufacture of the numerous products of crude oil and Marketing: the final step in getting the products of petroleum to the ultimate consumer. Of the four, producing crude oil is the first step and undoubtedly the most fascinating and risky part of the game, and it is just this element of risk that the average investor, unfamiliar with the business, does not recognize. Drilling wells has often been likened to mining and they are both exciting enough and the results of successful investments in both cases very large, but the oil business has one important advantage. A dry hole is a dry hole and you pull out and forget about your loss, while in mining there is always hope that another round of shots will open up a pay streak.

The market for Standard Oil stocks, through the large earnings shown, has drawn the public attention to oil stocks as an investment and since the trading in the subs started, numerous other companies have been floated and more are under consideration. The producing companies among the old Standard Oil subs undoubtedly have the most efficient management and favorable marketing advantages possible and furthermore, having been long established and although their net earnings may seem large on the capital invested, they are not at all out of reason with the risks run. As examples, of the two producing companies pure and simple, South Penn Oil showed net earnings last year of 53 per cent., after having increased its capital four times during the year and Washington Oil showed 68 per cent. net earned. Both companies were favored with the highest price paid for crude during the year. Ohio Oil and Prairie Oil & Gas, operating in fields where crude was lower, but both helped out by their pipe line earnings, showed 152 per cent. net and 88 per cent. net, respectively.

In discussing oil investments from the point of view of a practical oil man, it is only fair to state, that up to a comparatively short time ago, the business of producing crude oil was one of individuals and not of companies. The high cost of wells in California led to the formation of stock companies, so that the risks to individuals could be reduced and the custom has gradually spread all over the country. However, even now, the average oil man will not invest in new companies, or in very few old ones for that matter, unless he can have something personally to say regarding the management. The fact that the actual handling of an oil property is of prime importance partially explains this attitude, but the successful oil man feels, and rightly too, that his success

has been in no small measure due to his own judgment and experience and he would rather gamble his money on his own sayso than that of some stranger.

The first point a practical oil man will ask, when approached regarding an investment in an established producing company is "How much will I get on my money?" If the market price of the stock in question cannot show him at least ten per cent. on his investment, nine times out of ten, the subject will be dropped then and there. Your oil man realizes the uncertainties of the business and feels that 10 per cent. is the least return that he can accept for the risks his money will be running. The tenth time will occur when the company has some partially developed or undeveloped holdings, which, in his judgment, will turn out successful and enable an increase in the present dividend rate to be made, in which case he may make an investment in the company on a smaller initial return.

Granted that the investment will show a satisfactory return on the purchase price, the next question is the future. Is the company operating a country which holds possibilities for future new pools of more or less extent or is it operating in defined areas where small wells are the rule and new pools of any size the exception? With just enough exceptions to make it a rule, it may be definitely stated that the first production of a well after it has been drilled through the sand will be its greatest output and that it will constantly decrease in size in the future. The constant decline is inevitable and applies to pools and fields and whole countries in the same manner, so that your oil man wants to know whether his company is in a country where they have a chance to hold their present production by drilling new wells or opening up new pools or whether it is simply a question of a constantly declining output with a rising market for crude oil, the only hope for continued dividends at the present rate.

The Appalachian Field, where the South Penn Oil Co. are operating, appeared to be pretty well whipped, new pools were few and far between, and although they had sufficient proven acreage in reserve to keep up the present production by new drilling for a few years, expenses were constantly mounting as new wells were small in size. The directors, realizing that the gamble was nearly out of the company and as the oil men say, it had practically no "future," secured control of the Penn-Mex. Fuel Co., operating in Mexico, where large wells are the rule, and it is safe to say that there was more investment buying of South Penn stock around $200 by experienced oil men than in any other producing company, as they at once recognized that the acquisition of the Penn-Mex. had given the South Penn a future. Washington Oil is in the same state South Penn was in, having a much smaller production and no reserve acreage and has no "future." When Illinois began to decline and new pools showed flashy and short-lived, the Ohio Oil Co. entered Wyoming, a country of great possibilities as yet undeveloped. While Wyoming has not shown anything equal to Mexico, it added a gamble to the Ohio Oil Co. stock. Prairie Oil & Gas being situated in a country as yet only partially developed, has a future without going away from home.

The third point is the management, This is not so important in an old established company, as it is obvious that the company could hardly have been successful if the management had been incompetent. However, the management will have no small bearing with the oil man and it is a well known fact that the confidence that Eastern operators had in an official of the Standard Oil Co. of California as a producer, had a great deal to do with their heavy investments in that stock. This confidence was not misplaced, as the Standard Oil Co. of California is probably the largest individual producer of crude in the United States today.

Regarding flotations of new companies, they may be roughly divided into three classes, those having production to start with, those having prospective acreage but no production and what are known as "wildcats," that is drilling in a country that has never produced oil in paying quantities.

In consideration of companies of the first class, those having production, the first item to observe is the ratio between

the actual value of the production shown and the capitalization of the company. Oil production is sold and quoted as so much per barrel of daily production, and the price varies greatly as to fields, but as a general rule, the higher the price of crude oil at the wells, the more production is worth per barrel. Price will also vary greatly in the same field, according to the age of the wells, flush or fresh production being worth much less than old or settled production. As the term "per barrel" is buying and selling oil production may be confusing to the uninitiated, it may, perhaps, be best explained by an example.

Suppose the ruling price for settled production in a certain field is "$1,000 per barrel." Then a property which we will say shows a production 3,000 barrels for the month of June, or a daily average of 100 barrels, would be worth 100 x $1,000 or $30,000. As explained before, this market price per barrel varies greatly and it would be safest to consult some practical oil man regarding the prices prevailing in the field that the new company holds production in. Having decided on this price, the capitalization of the company should not be much more than 25 per cent. greater than the value of the property, i. e., the daily production multiplied by the ruling price per barrel. This 25 per cent. increase should be looked to, and even a little larger amount would not be out of the way, as working capital is one of the most important points in a new company. Sufficient working capital should be secured so that new drilling to hold the production could be carried on without cutting into the net returns from production too heavily. Unnumbered small oil companies of real merit have failed for lack of sufficient working capital. The next point is the management. Are they practical, have they had previous experience and have they a good man in the field? More companies have been ruined by inefficient management than by dry holes.

Next the location and markets. If it is a large corporation, the remarks applied to old established companies earlier in this article apply again and in the case of smaller companies, look up their undeveloped acreage. Remember that an oil well practically never exceeds its first output and it is only by constant drilling of new wells that the decline of the old wells may be offset. In this connection, watch out for a company that figures out its estimated earnings in the following very common manner and one which, as the saying is, always gets the oil man's goat. We will suppose that our new company has a daily production of, say, 500 barrels, which they proceed to multiply by 360 days and the result by the market price for the oil per barrel and give this as their gross income. Then they deduct a sum for running expenses which will rarely do more than cover the actual expense of operating the wells, plus a small depreciation. This they subtract from their gross income and it is a poor company that cannot show at least 50 per cent. net on their capitalization in this way.

In the first place, it is a most exceptional property that will produce its maximum output, granting that the wells would hold up and not decrease in output, which is practically an unheard of thing, for 360 days out of 365 in a year. In most fields the wells are not pumped on Sundays, cutting off 52 days in the year and in the second place accidents and repairs to individual wells which will interfere with their production, will still further cut down the actual days of maximum output, until 300 days or 330 days at the outside would be the best that could be figured on as a general rule. Look for a good big sum for the drilling account in such estimates and a liberal charge for depreciation.

Regarding the markets, it is preferable to get into a country where the demand exceeds the supply, in other words, where the pipe lines are capable of handling more oil than is being produced. A country where there is overproduction is risky as it generally means a weak market for the crude, and a country where there are no pipe lines is likely to be a costly experiment unless the company is on a very large scale with enormous resources at its command.

Regarding companies starting with no production but with prospective acreage, it is a question that should be referred to a practical oil man familiar with the country in question. There are no hard and fast rules and oil men themselves

will vary greatly in their opinions as to the worth of undeveloped acreage. However, look up the cost of wells in the country, add a value for the acreage and fair promotion expenses and from the amount of stock sold you can gain a fair idea of whether the promotion is legitimate or not. However, in any case, it is a gamble and that is probably the best way to take it.

On a wildcat proposition, the only thing you can place any dependence on is the geological report of some reputable expert. This should determine whether conditions are favorable for the accumulation of oil and gas, but only the drill can really tell. As wildcat wells are never drilled except where the company has a large acreage under lease, the comparative returns on a successful well are in proportion to the risks run, and it is probably the most fascinating part of the producing game. However, odds are ten to one against you or better and it must be considered absolutely as a gamble.

In summing up, when investing in an established producing company, look for a 10 per cent. return on the investment or good chances for securing this rate in the near future, a good reserve fund in the treasury and a "future" for the company. In new promotions with production the important points are the relation of the capital account to the value of the property, a good working fund, efficient management and sufficient acreage to drill on to hold the production for at least three years. In new companies without production, operating, in proven fields consult some experienced oil man and then watch that the management is honest and efficient and don't forget you are gambling. On a wildcat well, you are gambling, but for high stakes and with a bunch of real oil men, you will be sure of a run for your money.

Oil Notes

Pertinent Pointers for Those Interested in Oil Securities

AMONG those who do not understand conditions affecting the different groups of Standard Oil stocks, the fact that shares of the pipe line companies are selling in the market at prices to yield from 7 to 12 per cent. on the investment, is very puzzling. The pipe lines are transportation companies, carrying crude oil which in some instances is pumped half way across the continent. The Point Breeze plant of the Atlantic Refining Company near Philadelphia, for example, is using a great deal of Mid-Continent oil, that is, oil produced in Kansas and Oklahoma, and shot through the pipe lines all the way to Philadelphia.

THERE are two reasons why the pipe line stocks are selling in the market relatively lower than the stocks of the refining companies. One is, the fear that the Interstate Commerce Commission may compel pipe lines to reduce their rates, in which event many of them will undoubtedly have to reduce their dividends. Another reason is that the earnings of the pipe line companies are dependent upon the amount of traffic received, which in turn is dependent upon the flow from the wells. When the production in any particular field falls off, the earnings of the pipe lines serving that particular field necessarily decline also.

PRACTICALLY all of the pipe lines proper, such as Buckeye, Eureka, New York Transit, National Transit, etc., are intrastate companies, that is their lines do not extend beyond the respective borders of the states in which they operate. When it comes to the state line the oil is transferred to the pipe lines of other companies. The pipe line companies proper are now, theoretically at least, common carriers, and they have conceded that much by filing rates with the Interstate Commerce Commission in Washington.

TRADERS' DEPARTMENT

SPECULATION: Operations wherein intelligent foresight is employed for the purpose of deriving a profit from price changes

Practical Points on Stock Trading

A Few Observations Based on Long Experience

By SCRIBNER BROWNE

VI— Estimating the Extent of Public Buying on Advances

IT is necessary for the trader always to bear in mind that Wall Street is primarily a wholesaling and distributing market for securities. The sequence is this:

(1) The productive plant of the country—its railroads, factories, mines and other enterprises—is always being increased. Sometimes the growth is rapid and sometimes slow, but there is always some increase.

(2) Stocks and bonds are always being issued to represent the capital that goes into this increase in the productive plant.

(3) These securities are first sold to wholesalers—banks, bond and investment houses, or large capitalists—who carry them until they can be retailed to individual or institutional investors or speculators.

The rapidity with which this retailing process can be carried on varies greatly with differing conditions. The public appetite for securities is capricious and finicky. The majority of investors seem to be seized by a series of notions, which pass over the community in waves. As a rule, these notions are the result of assuming that present conditions are going to be more permanent than they ever proved to be in fact.

A dozen years ago, for example, everybody had the idea that "the days of high interest rates were passed." The result was an almost insatiable demand for low yield bonds, while the best dividend-paying stocks were forced up to fancy figures. Then about a year ago we saw the extreme ebb of this wave, when people were saying that "the days of low interest rates were over"—that the world's demands for capital were greater than the supply and that corporations must accustom themselves to the idea of paying permanently higher rates of interest on their bonds. In point of fact, the recent condition will probably prove to be just as temporary as the first.

Then there are times when a certain kind of securities can be sold, while there is very little demand for others. Noticeable prosperity of certain classes of companies will always result in a demand for the securities of corporations in that line of business, until two or three failures or a bad slump in such securities, when the demand shifts to something else. The curious vogue of seven per cent. preferred industrial stocks a few years ago was an illustration.

Whatever the circumstances, the wholesalers will naturally buy only what they think they can retail, and the corporations will issue only what they think the wholesalers will take off their hands.

* * *

THE philosophy of marketing securities has more effect on the operations of the active trader than might at

first appear, for this reason: Since Wall Street is in the main a distributing market, it follows that selling stocks there is generally a good deal more difficult than buying them, and the real art of the market-maker lies, not in buying stocks at low prices, not in moving prices up after the stocks are bought, but in getting rid of the stocks on the higher plane of prices thus established. This is a principle that the active trader has to bear in mind in all his efforts to interpret fluctuations from week to week.

In two words, it is generally harder to sell a big line of stocks than it was to buy them.

The reason for this is still clearer when we consider the two kinds or types of buyers of securities.

Type No. 1 reasons in this way: "Business is good; the market is strong; earnings are largely in excess of dividends; everything looks favorable. It must be perfectly safe to buy stocks under such conditions, with a good chance of higher prices to come." He has his eye fixed on *conditions.*

Type No. 2 says: "Prices are very low; business is about as bad as it can get; investment demand is very light; earnings have fallen off sharply; everybody has the blues. It must be that stocks are on the bargain counter." He has his eye chiefly on *prices.*

The investor or speculator of Type No. 1 buys on rising prices. He may sell at still higher prices, or he may not. Type No. 2 buys on falling prices, or if his judgment is perfect—which it rarely is—he buys after prices have fallen and are about to become stationary or to advance.

Type No. 2 is composed of the shrewdest and best informed investors, most of whom naturally have accumulated considerable capital, and professional or semi-professional speculators. Type No. 1 includes the rest of humanity—or at least all that part of it which takes any interest in the market.

Now it is perfectly plain and that very few stocks can be distributed at high prices to Type No. 2. On the contrary, investors of this type are far more likely, when the range of prices is high, to be doing a little distributing on their own account. Hence the question of how high prices will go depends chiefly on the number and resources of Type No. 1, generally known as "the public," because they are so much more numerous than Type No. 2.

* * *

IN the above analysis I say nothing about the short interest because that is, after all, only a minor element in the situation. There are times when an over-extended short interest can be driven to cover at higher prices and a certain amount of long stocks can be sold under cover of the excitement. But this is hardly to be classed as a real distribution of securities, because all the shorts had *sold first,* so that their covering or "buying in" merely puts them out of the market. The real distribution must be to buyers for long account, either investors or speculators.

Also, it is by no means certain that the short interest will be smaller at high prices than at low prices—on the contrary, when the wide swings are considered, it is probably larger. The volatile or trading class of shorts are often nearly all eliminated during a quick, sharp advance in prices, but they are quick to put out their lines again as soon as the advance appears to them to be over. Then there is the "investment short interest" to be considered, and this is always larger at high prices than at low. Again, the market is generally broader at high prices than at low, and this means more shorts as well as more longs.

I think, therefore, that we may, in estimating how far upward a long bull swing can be carried, practically cut the short interest out of our calculations. The principal effect of the short interest is on the minor fluctuations, where it often becomes an important consideration. I discussed this subject in a previous article.

* * *

WE need not devote much space to considering the influences that induce the public to buy on advancing prices, or on slight reactions from an advance. Broadly speaking, I suppose these influences are, in the order of their importance:

(1) General evidences of business prosperity.

(2) Bullish reports as to the earnings and prospects of individual companies.

(3) The "psychological"—as the President says—effect of a strong and active stock market.

I don't think the active trader gains much by studying these points, because he could not possibly hope to locate the top of an advance, even approximately, by estimating the probable effect of such general influences. That method is too roundabout. What he needs to discover is whether the public actually *is buying* on the advance, and when the stage arrives where the public *has bought* and is waiting for a chance to get out.

It is well to note, nevertheless, that the question whether a big public market can be built up depends not only on willingness, but also on ability to buy. A very large part of the buying on advances comes from the profits of business men. If business men are not making profits, they may be ever so willing to buy stocks, but they will not have the necessary means. It takes something more than a cheerful "psychological" atmosphere to enable a man to open an account at a brokerage house and take on a line of stocks.

* * *

THE place to look for evidences of the responsiveness of the public to advancing prices is the stock market itself. We have recorded for us every day the prices of all sales of stocks, the amount of the sales, and the approximate time when those sales were made. That tells us more about the interest of the public than anything else possibly could.

First, activity. If the volume of sales increases on advances, somebody is buying. If it continues to increase on advances after a considerable rise, then the public must be coming in to a greater or less extent.

Second, width of daily fluctuations. An active market is accompanied by numerous minor fluctuations in the price of favorite speculative stocks. If this tendency continues on an advance, it shows increasing public interest.

Third, response to bull news. When the public is in the buying mood, almost any kind of bull news is good enough to stimulate higher prices.

Fourth, response to bear news. At such times bear news is minimized and neglected. It is only when the public is pretty well "loaded," after such an advance, that bear news begins to produce its natural effect, or more than that.

Fifth, shifting of interest from one stock to another. When there is a large public interest in the market, it is easy for inside interests or floor traders to get a following by bidding up the price of first one stock and then another. Often bull news on each stock comes out at the same time, in a strangely opportune way. In other cases industrious news-gatherers dig up the bull news to account for the advances. Rumors of "melons" are apt to mark the closing stages of a bull movement, as they seem to appeal more strongly to the public imagination than almost any other form of encouragement.

(*To be continued.*)

Speculation a Mainspring of Enterprise

"It is speculation that inaugurates and establishes all new industries. No new enterprise is an investment. The public must come to have such confidence in the value of established and going industries that it is eager to undertake the creation of new ones, anxious to speculate on the possibilities of building up new machines which will earn profits, before there can be any further material industrial progress in this country. It is of the utmost importance to the welfare of the country and the people, therefore, that such speculative confidence be created as will cause the stocks of mining, industrial and transportation companies to advance until they have a value equal to or in excess of the cost of reproducing the properties they represent."

George L. Walker.

From the Broker's Point of View

Giving Advice to Clients

By One of the Fraternity

YOU people who invest and speculate don't know what a tough job a broker has when he is called upon for advice, as he is many times a day.

"What do you think of the market?" "Would you buy now?" "Do you advise the purchase of St. Paul at these prices?" "How about selling Reading short?" and a hundred other questions greet him in every day's mail, by 'phone and wire and from clients who call at his office or men he meets at the club.

Many of these queries he answers offhand, recognizing them as a form of Wall Street etiquette—a compliment to his judgment or prompted by a desire to compare notes. He knows that his questioner will seldom be influenced by what he hears and that the most inquiring kind often do the least business. But a letter in the day's mail contains the query, "I am thinking of buying some Steel common as an investment. Do you think the present is the right time to buy?" Confronted by that question, he's right up against a few things the public does not realize.

First of all, he doesn't *know* whether it is the right time to buy Steel or not. He may have a more or less definite opinion, but he is not *sure* that he is right. Suppose he is bullish on Steel: it has declined to about 56, looks oversold and due for a rally anyway. He thinks it may work up to 61 or 62. But he remembers that the client is considering Steel "as an investment," and the broker knows that the stock is not an investment, but a speculation. It is paying unearned dividends and its future is very much involved, so he cannot put it in the class of securities which people buy for income.

The broker now occupies a peculiar position. He is bullish on Steel "for a turn"—of a few points at least. He wants the order. He wishes the client to make money and hopes he will; but he cannot recommend the purchase on the stipulated basis. For while Steel may advance several points, it may later pass its dividends and then the client would lose his money and the broker his client.

So he replies in effect: "I believe that Steel common is a purchase for a rise of several points, but this is highly speculative stock at present and should not be considered an investment, as dividends are not certain. If you want a sound investment, buy the preferred stock," with the usual "hoping to receive your order" and the other trimmings which accompany the run of brokers' letters.

Like the majority of brokers, he is frank and honest about the matter, even though it be to his immediate benefit for the client to buy the common. (The same money will buy more common, and his commission will be larger.)

The client shies at the uncertainty of dividends and decides to do nothing. Steel goes to 63 and he is sore as a pup, forgetting that the broker's predicted "rise of several points" has made good, but remembering well that the broker steered him off.

Observe, however, that the stability of Steel's dividend has not been settled by the rise to 63 and a purchase "for the dividend return" is as hazardous as ever. The broker was absolutely right even if Steel should go to par and continue its 5 per cent. dividends. At the time it was a hazardous speculation, and nothing can change the facts.

* * *

THE above is a simple case. Most of the queries put to a broker sound easy enough, but carefully weighed and perfectly frank replies to them would be very complex in most instances.

A million things can happen, in or out of Wall Street, to affect the prices of stocks, and particularly your stocks. So a broker's opinion of Steel might read, "If general business picks up and prices for steel products improve and if foreign manufacturers do not take advan-

tage of our advanced prices to dump their steel into this country, and if increasing home competition does not take all the business away from the Steel Corporation, the latter might earn its dividends. But you must be sure that there is no war with Mexico and the anti-trust bills are not passed, and the crops are big and nothing happens to upset things again. With these factors settled, Steel is a purchase."

A broker who effervesced in that style would get the horse-laugh, but he would be painting the picture in its true colors.

* * *

TROUBLE is, the situation is always changing. You write your broker for an opinion today and he says, "Buy now." You don't agree with him, and you wait. Something happens and stocks go off five points. You say, "That was a bum brand of advice," never thinking that the accident which brought the decline was not known by any living man at the time you were told to buy.

You do not know but what the market would have been up five points by now if the thing had not happened, so you are doing your broker an injustice by calling his advice poor. Remember that stocks are like quicksilver—extremely sensitive. Consider the mercury in your thermometer; write down your idea of how it will stand at noon on each day of the coming week. A week from now compare notes and you'll see what a poor broker you would make.

As a merchant you can say to a customer, "Buy these goods at three dollars a dozen; you can retail them at five dollars." But the poor broker has no such cinch.

I once had a client who asked me what I thought of Peoples Gas, the purchase of which he was considering. It looked good to me and I advised him to buy it. Peoples Gas went down four or five points for some forgotten reason. Next day I received a letter from him reading something like this: "I suppose you want me to put up more margin on that Gas. Well, I won't. You told me to buy it, and, damn you, I'm coming down town tomorrow and blow your blasted head off."

Naturally I did not take much stock in a slayer who notified his victim in advance, so I sent him a special delivery letter acknowledging receipt of his kind favor and added, "I'll be at the office promptly at nine tomorrow," feeling that I did not want to miss an affair in which I was to play so prominent a part.

Possibly nine A. M. was too early for him, or he must have overslept that morning. At any rate my head still occupies its accustomed place.

* * *

WHILE such incidents are amusing, our business, as a rule, is no joke, and especially the advisory part of it. Ask any broker you know if he likes to give advice, and he'll say, "Not on your life; but we have to do it."

People generally are ignorant of values and possibilities. They like to lean on someone. It's all a part of the Law of Mental Domination, under which the man who knows more than the others will be able to guide them—and they wish to be guided. You see its workings in a hundred ways every day.

Go into a tailor's shop, and you'll take the tailor's advice as to the best style or goods. You may think you are using your own judgment, but he is guiding it. He dominates because he knows more about cloth than you do. Same way in the brokerage business.

If clients would dope things out for themselves and never ask advice of a broker the fraternity down here would breathe a combined sigh of relief that would sound like a cyclone (no pun intended). For while the brokers, to a man, wish to help their clients, it's an awfully hard thing to advise correctly on a proposition that has so many twists and turns and uncertainties as the stock market.

There used to be a concern that made a point of never expressing an opinion or giving a bit of advice. The office partner would say, "It's your money. You are risking it. I can't advise you. Do just as you think best." But that firm dropped out of sight years ago.

People want advice and a broker must give them what they want or they'll go elsewhere.

(*To be continued.*)

Learning to Trade Wisely

Observations from Experiences in Active Market

By OLIVER GRAY

IN the summer of 1910 I ran across a service issued by a writer who was doing his best to predict the future of our business and securities markets from fundamental statistics. At first I read his weekly "dope sheets" from the standpoint of an onlooker, but gradually as I became more familiar with the theory of trade and stock market cycles, the thought occurred to me how simple it would be for me to sell some stock at the top of one of these zigzag lines on his chart and buy it back again right at the bottom. I said to myself: "Why not get some of this 'easy money'?"

It was just after the big break of 1910. As a matter of fact, prices were "banking" for the recovery which took place in the fall of that year and the spring of 1911, but my statistician was still bearish. Taking my position from him, I sought a brokerage house and sold short twenty-five shares of Steel Common at 68. The office manager who took my order gently endeavored to dissuade me from taking the short side, but I reckoned that the eminent statistician whom I had chosen as my guide in speculation knew better. So I let my trade stand. Steel fluctuated between 66 and 68 for a considerable time, but I was not after any two point profits. Nothing less than ten points would do for me. In the fall, Steel rose to 80 and I was "locked in" for keeps.

In the meantime I had gone West, but continued to follow the market through the newspapers. I remained stubbornly short until April, 1911, when Steel took a dip to 69. Then I decided if it recovered to 75 I would cover, and I put in a stop to buy 25 Steel at 75, which was executed, leaving me out of the market and out of pocket seven points and two dividends for my experience. So I lost faith in "fundamental statistics."

One day I saw a one-point line chart of Steel in a financial magazine, but it did not appeal to me as it failed to show the time element. I got some cross section paper and devised a crude trend chart on which I recorded faithfully the daily range of Steel and Union. By and by the chart "looked like" Steel was going down, and I was encouraged to take another flier. I sold fifty shares of Steel short at 81¾ on February 6, 1911, and covered at 76½, Ex dividend on the first of March succeeding. Union Pacific with its generous fluctuations appealed to me somewhat, and on the day before the Standard Oil decision I entered a limited order to sell fifty shares, but fortunately for me, I could not get my price that day and I was saved from the plight of many "shorts" whose correct anticipation of the unfavorable decision defeated their own purpose.

The Associated Press market reports in the papers gave me an excellent idea of the "temper" of the market, and I must add my testimony to the weight of those who believe that, for a beginner at least, distance from the market is an aid rather than a hindrance. After the rise following the Standard Oil decision, I thought Steel had gone about as far as it could go. Beginning May 16, 1911, I sold Steel on a scale. When I returned to New York in June, 1911, I was short 250 shares at an average of 80½.

I got the western brokers with whom I had been trading to transfer my account to their New York correspondents. As I had a good deal of time to myself, I fell into the habit of dropping in the New York brokers' downtown offices occasionally.

I was in splendid "position." Like many beginners I had made a sensible trade. I had sold Steel mainly because I did not think it was actually worth $80 per share. Naturally, however, being so close to the fountain-head of financial knowledge, I sought advice as to the wisdom of my venture from the two

"business getters" who presided over the customers' rooms of each of my brokers. It surprised me to learn that my position was a dangerous one.

One of them talked learnedly of "technical situation," and explained to me that Steel was in "strong hands," and that "the public was not in the market," hence there could be no such decline as I anticipated. The other said he didn't know anything about "technical position," but some pretty big people that he knew (and he looked profoundly mysterious when he said this) were buying Steel on the dips, and he certainly would not want to be short of it.

They scared me out. Late in July, 1911, I covered on one of the recessions. I took a stingy 1¼ point profit, and got out of a splendid short position just before the big slump of 1911. When the break came I had assumed the bullish attitude which my mentors the customers' men assured me was proper, and on the first "healthy reaction" I bit off a hundred Union Pacific. However, I had gumption enough to take a loss and let go of it a couple of points down. It hasn't sold there since.

Common sense should have told me to take the short side again, but by that time I had commenced to follow with some degree of faith the utterances of a local prophet who at one time had quite a following, and was then issuing a daily market letter service. He was still bullish and advising purchases on reactions. The financial editor of my favorite paper, while not advising anything, had a paragraph nearly every evening to the effect that "the sharper the decline, the more sharp and rapid the subsequent reaction." Here I may add that the average of twenty rails has not yet rallied to the level they were on when he first wrote that bit of wisdom. I formed a mental image of prices soaring perpendicularly upward in the same way that they had declined during July to August, 1911, and bit off stock occasionally on what looked like reactions, only to throw it overboard again at a loss later. I could not bring myself to take a consistent short position until August 25, 1911. After that I made a number of short trades with a fair degree of success.

One of the firms with which I had my account operated an uptown office in the district near Forty-second street and Fifth avenue, and I used to go in there occasionally. The manager was a pretty good judge of general market conditions. His daily market letters would give one an idea of the general trend, and his percentage of wrong guesses was comparatively small. Yet he never could make and keep any money for himself in trading, nor did I ever meet anyone who had followed him personally and made money on average. It goes to show that poor technical handling or something else can easily get your money even if your position is right a large part of the time.

He kept a ¼ point chart of Reading. This was his "pet stock." The walls of his private office were lined with two-point, five-point and ten-point charts of moves in Reading for some years back. He disclaimed vigorously placing any dependence upon the chart, but frequently I would hear him say that "the chart looked like going up" or "going down." So I suspect he had some faith in "mechanical methods."

At that time he was operating a number of discretionary accounts, used to trade frequently, and I believe with a fair degree of success. I was in to see him the other day, however, and he confessed to me that he lost money on them, although he said: "They would have come out with a profit if they had been willing to put up more margin."

It seemed to me he traded with considerable skill. He used close stops intelligently placed, and endeavored to buy on dips and sell on bulges. Yet he could not average profits greater than losses. I doubt if any man lives who can manage a Fifth avenue office, entertain the type of customers that frequent them, and at the same time trade actively in a stock like Reading.

His operations interested me. Frequently I used to discuss the market with him, but I never followed him. In fact there was always a temptation if I found him agreeing with me to change my own opinion and take the opposite side. I wonder if other traders have noticed in themselves this same disposition toward some men?

Time hung rather heavily on my hands, and my previous failures roused my spirit. Somebody besides the broker was getting my money I knew, and I made up my mind that if hard work and persistent application would do it, I would equip myself to get it back and to get some of the other fellow's money along with it. I read the Tape assiduously from ten to three. I began to read every line I could lay my hands on that seemed calculated to help me. I found a great deal that was helpful in "Studies in Tape Reading." "The Ticker," now THE MAGAZINE OF WALL STREET, the only stock market speculators' trade journal in existence, has given me many ideas.

I overdid this sort of thing. I became so full of maxims and other people's ways of doing things, absorbed from reading, that they obscured my own judgment, which was not so bad after all. Frequently I found myself holding back from doing the very thing that my own reasoning indicated was proper, simply because some other fellow's method precluded him from doing it under any circumstances. For instance, I am usually successful when I "reverse" from long to short and vice versa. Other people are invariably whipsawed when they do this.

The point I would draw from this experience is that in a business which requires such a delicate balance of the faculties as stock trading, a trader who is working at the tape where his decisions are likely to result often from subconscious reasoning had better let reading of this kind alone when he is at work. If he does not he will find it interfering with his mental processes. It is all right for a man who speculates away from the market where his judgments are more deliberate. But a beginner in office trading should read this sort of thing only on his vacation, or during a protracted period of dullness when he can keep out of the market. A seasoned veteran can swallow such a mental diet. He assimilates only that which is in harmony with his own thought and eliminates the remainder. The beginner, however, is likely to be as susceptible as the young medical student who manifests all of the symptoms of the pathology which he is studying.

(To be continued.)

Said a Broker:

THE limited order habit is a bad one. Many people think when they place an order to buy 100 Steel at 56, that some kind Providence will back the stock down to exactly that figure so that they will get theirs. Very often it touches that figure, but they do not get it. This is because there are more buyers than sellers at 56. If 5,000 shares are bid for, and only 500 shares are sold at that figure, the would-be buyers of 4,500 shares are sure to be disappointed. It is a question of supply and demand and the demand is greater than the supply at 56.

There is one sure way to overcome such a difficulty and that is by placing your order as follows:

"Buy 100 Steel at the market when it touches 56."

With such an order in hand your broker would take the first hundred offered after the initial sale at 56. This might be at 56 or 56⅛ or 55⅞. But the buyer is sure to have his order executed around that level—a fact which is more important than the fraction which he saves or loses placing his order in the customary way.

COTTON DEPARTMENT

The Increasing Consumption of Cotton

What the World-Wide Expansion of the Industry Means

By THOMAS SINCLAIR

THE increase in consumption of cotton goods has been a most important factor in determining the price of cotton during the last decade.

The average production of American cotton in the last five years was 13,560,000 bales, against 12,738,000 bales for the previous five years. It has been a question of serious investigation to determine how an average surplus of 822,000 bales per annum has been absorbed at relatively higher prices.

Undoubtedly the greater part has gone into new industries. To estimate with any degree of certainty what amount of raw cotton these new manufactories have consumed would be impossible, but a fair idea may be obtained from the following statistics. The Census Bureau report on manufactures by industries issued in April, 1912, shows the following percentages of increase in value of products for ten years:

	Per cent.
Cotton goods	85.3
Men's clothing	75.4
Women's clothing	141.5
Automobiles	5148.6
Hosiery and knit goods	108.8
All other industries (in which much cotton is used)	100.7

Of these industries the automobile is the most important. Once a luxury, the motor car has now become a necessity, and is as much a part of every-day life and business as the horse and mule. On November 1, 1913, one million cars were in use in the United States, of which 250,000 had been sold in the previous twelve months. There are now about 7,000,000 tires manufactured annually in the United States. The greater number of these use cotton fabric. Presuming a consumption of 4 pounds of raw cotton per tire, we arrive at a total of about 60,000 bales.

When to this amount is added the cotton used in tops, seat covers, waste, coats, etc., a consumption of raw cotton of over 200,000 bales must be indicated.

The cotton bagging trade has also expanded. Bagging for flour and other groceries, tobacco, cement, etc., has replaced the former coverings. In 1909 63,000,000 square yards of bags and bagging were manufactured in the United States.

Among other industries in which cotton is largely used today may be mentioned the following:

Upholstering goods.
Tapestries, piece goods and curtains.
Towels and towelling.
Cordage and rope.
Insulation of telephone wires or cables.
Airbrakes.
Khaki cloth.
Belting in agricultural and other machinery.
Imitation leather goods.
Celluloid goods.
Explosives.
Absorbent cotton.

The increased consumption of cotton in each and all of these industries cannot be gauged, and we have grown so accustomed to the use of cotton goods in all their varied forms that we are apt to overlook the importance of the value of the raw material and its bearing on present-day life.

Statistics of the growth of cotton mills are more accurate, and bring out clearly the enormous increase in recent years.

In 1908, six years ago, it was estimated that 125,000,000 spindles were in operation throughout the world, while this year the estimated number is over 145,000,000 spindles. For the coming year new mills and additions to the old, will add another 1,500,000 to the already large total of 145,000,000 spindles.

A most remarkable increase in cotton consumption has occurred in the cotton-growing States of the Union, as the following figures show:

		SOUTH.	U. S.
1908.	Cotton consumed	2,187,000 bales	4,539,000
	Active cotton spindles	10,201,000	27,505,000
1913.	Cotton consumed	2,961,000 bales.	5,786,000
	Active cotton spindles	12,227,000	31,520,000

Up to the present time this season, the indications are for a consumption in the United States of close upon 6,000,000 bales.

In other parts of the world a pronounced increase is visible. In India, from 1908 to 1913, spindles increased about 800,000, in Japan 750,000 spindles, in China 250,000 spindles, in Great Brittain 6,000,000 spindles. In fact, an increase is noted in every important manufacturing center.

Much of the increased consumption can be traced to recent wars. The destruction of cotton goods by war is enormous. When 1,000,000 men are in the field, as occurred in the Balkan War and the Russo-Japanese War, all the commissariats of the world are drawn upon to supply the needs of the troops. This consumption must be replaced, and as quickly as possible; so it can be readily estimated that an immediate impetus is given to the world's factories.

The peace which follows on war, however, is a still greater factor for the increase of cotton consumption, and although trade may revive slowly, it is yet certain to improve. The unrest in Eastern Europe will gradually disappear and commerce will increase as confidence is restored.

The outlook for the coming season is encouraging. For this season, ending August 31 next, the most reliable cotton experts estimate a consumption of over 14,750,000 bales of American cotton, and in view of the constantly increasing uses to which the article is being devoted and the prospects for a world-wide trade revival, a consumption of 15,000,000 bales is predicted for next year.

The necessity for a large crop is very apparent.

The Cotton Market

Uncertainty Regarding the Growing Crop

THE course of prices has been completely dominated by weather conditions in the South. These conditions have been peculiar. In the Western belt, where the earliest and best stapled cotton is produced, the plant suffered from too much rain during the planting and germinating season. Cultivation was difficult under such conditions, and much replanting was necessary, while in northern Texas & Oklahoma, the planting season was late.

In the Eastern belt, on the other hand, a long period of dry weather prevailed, delaying germination, but enabling the farmers to cultivate and clean their fields. The market advanced to over the 13c. limit for new crop options on the publication of the government report giving a condition of 74.3 as on May 25 last. This was one of the poorest conditions ever issued at this time, and some alarm was apparent in trade circles. Speculation, however, did not come in as had been

anticipated on the Bull side. The easy tone displayed on every liquidation and the relative weakness of the July options, made the Bulls cautious, as indicating a decline when weather news became more favorable. Before the middle of June Texas received warm and dry weather, and showers in the Eastern belt relieved the situation there, while the anticipation of heavy tenders of actual cotton in July, reduced the premium on the near deliveries.

The market declined in consequence and speculators awaited further crop news before committing themselves largely to one side or the other.

The next Government report as of June 25 is eagerly awaited. Some improvement over the figures of May 25 are certain, but whether this will be enough to strengthen a belief in a large crop is a matter of speculation entirely. It must also be remembered that the acreage planted will be given in the next Government report. Latest advices do not indicate an increase over last year, although a 2 to 3 per cent. increase was anticipated some weeks ago. Any decrease in acreage would offset to some extent an improvement in condition, so that the market today faces uncertainties as serious as those of a month ago.

Meanwhile, consumption shows no very decided reduction. More spindles are at work than last year and the figures are almost 200,000 bales more to date for the United States, indicating a total for the season ending August 31 next approaching the 6,000,000 mark.

Under such conditions, spinners may be expected to increase their purchases below 12½ cents. So far they have not made large commitments for new crop delivery, neither has the South sold against the crop. These two factions will come into the market during the month, while speculation will vary with crop news. Any serious decline at the moment is not anticipated, because the need of a large crop becomes more apparent daily.

This necessity will be the most important factor for consideration to producer and consumer alike. All indications point to a continued large demand while the supply is a very uncertain quantity.

Bearing this constantly in mind, operators cannot be far wrong in buying new crops whenever spinners come into the market. With the prospect of only a moderate supply, the trade must determine to what price cotton will have to go in order to check consumption.

Cotton Notes

THE Department of Agriculture will issue its next report showing the condition of cotton as of June 25 on July 1 at noon. Previous reports on this date were:

1913.	1912.	1911.	1910.	1909.	1908.	1907.	1906.	1905.	1904.
81.8	80.4	88.2	80.7	74.6	81.2	72.	83.3	77.	83.

An average for the last ten years of 80.7. An estimate of the acreage planted will also be given. The department's corrected figures for last season were 37,458,000 acres, as against their estimate of 35,622,000 acres reported last July. The corrected figures will be used in making the estimate for this year.

The acreage picked last year was estimated at 37,089,000, indicating an abandonment of about 370,000 acres.

The yield of lint cotton per acre was estimated at 182 pounds compared with 190.9 in 1912, 207 in 1911, 170.7 in 1910, and 154.3 in 1909.

ON May 25 the condition of the Texas crop was 65, Oklahoma 68, South Carolina 72, North Carolina 76. The figures in July 1 for these States, which were very low last month, will be of great importance.

THE FORUM

Where Every One Has His Say

As the Romans gathered at their Forum to discuss questions of common good, we invite our readers to make this department their common meeting ground—to contribute their views on financial topics of general interest and to ask questions relating to the science of investment, methods of operating, customs of the markets, general financial conditions, etc. If you should disagree with us or with our contributors, we will gladly print your criticisms, space permitting. We welcome suggestions. Tell us what articles best fit your needs and then we can serve you to better advantage. Write your comments as you would speak them. The style of your writing will not be considered—only the information you give. Write on one side of the paper only. If you desire a personal reply to questions, please enclose stamped and self-addressed envelope. Address, THE FORUM, care of MAGAZINE OF WALL STREET.

SPECIAL NOTICE:

We answer inquiries about securities by personal letter which are too long for reproduction here. We shall, however, in the future, give a list of the securities of most general interest covered during the month. Copies of the letters can be obtained upon request.

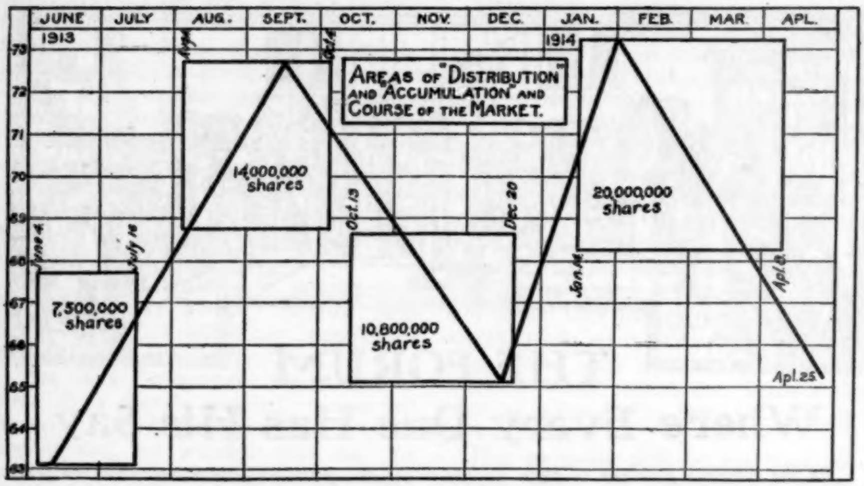
A Volume Study

THE bear market that began October 1 had, as usual, three downward moves. The third and last included the week of June 2-7. Insiders began to support the market during the last four days of that week, so we can take two of the three million shares of that week as legitimate "distribution" volume.

The week of June 9-14 had 3,300,000 shares, about equally divided between forced accumulation (public selling) and sales by insiders to "run in shorts." The period of June 1 to July 1 assuredly was one of accumulation. This had 5,500,000 shares, which added to the previous accepted two million gives a total of 7,500,000 shares.

August 4 to October 4 was undeniably a period of distribution, 14,000,000 shares being dealt in—just about the correct proportion, as it requires more effort (volume) to sell stocks around tops than to buy around bottoms. I should say the ratio of 2 to 1 was approximately right, perhaps a larger ratio would be more accurate.

Next, October 13 to December 20 was "accumulative," although some of the work done there was sales to shorts on bulges, particularly much of the volume that came out October 20 to November 1, about 2,000,000 shares. The remainder of this volume, 10,800,000 shares, may be classed as "accumulative."



January 14 to April 8 may be regarded, in the light of the more recent course of prices as "distribution." During that time a total volume of over 20,000,000 shares was used, again working out the rule of 2 for 1.

This volume study is, on its face, of most general and broadest nature. There is nothing accurate—nothing certain about it or those deductions or opinions arrived at as a result of such study and, indeed, after all, all volume study, as you have written repeatedly, is only and at best approximate because we know that even the daily totals are uncorrectly reported.

But looking at the various points brought to the surface by this brief analysis in the same broad spirit used in making the study in the first place, one is forced to admit that a certain well-defined principle of manipulation is concealed not very far beneath the strata uncovered by our observations.

I draw from the above the opinion that we are still in the large bear market, that is, in a market which is the result of a condition in the mind of large interests which prompts them to desire to sell rather than to purchase stocks, and in the meanwhile to buy and sell in what might be termed a glorified "traders' market." I believe the real tendency is downward.

The graphic herewith attempts to picture what has been said.

Interpretation of Price Charts.

I want to say that "Interpretation of the Price Movements" in the last issue is great. The author is specific in his explanations. If I am not mistaken, the publication of open, high, low and close charts, such as those in the last issue under the subject mentioned above, is a new departure. I hope you'll print more articles of the same kind.

(1) Which is more valuable to keep for the actual trend: a trend-indicator, figure chart, etc., of 40 stocks or of 10 active stocks, or of the six leaders?

(2) Which is more reliable for the above charts—the Dow-Jones averages, or the *Evening Sun's* averages? I suppose either will do.

(3) Would it be well to keep, besides charts of the general market, charts of both the Railroads and the Industrials, and of the leaders, so that I can see which stock is the best trading one at different times of the year?

(4) Steel fluctuated between 66 and 63 during March (1914); Reading between 167 and 162 the same month, and other leaders also were working in their own ranges. Now, are these ranges of accumulation or of renewed distribution? If the latter, why could not the manipulators distribute further at or around the tops of the advance?

(5) Now, suppose there is an accumulation range, and later on another one several points below this range, does this indicate that the manipulators found it possible to accumulate at a lower level and so depressed the prices further to that level?

(6) Did the manipulators buy back stocks on the way down during the decline in April, as well as cover their stocks, which they sold short at the high level?

(7) Is the range of Union between 151½ and 155 from April 16 to April 23 that of accumulation? Is the subsequent reaction a shakeout or caused by frightened or forced liquidation? At the end of this decline, Union seemed to show no accumulation zone, for a drive against shorts immediately occurred after the lowest price of the decline was reached.

(8) Around the top of the rally of Union from May 2 to 7, did the insiders sell part of their line of stocks and then sell short for the subsequent half-way reaction? Did they also buy back stocks on the way down of this reaction?

(1) We think that the trader needs two trend charts, one of, say, thirty to fifty stocks and the other of ten active stocks. For the first chart the *Times* averages may conveniently be used, thus avoiding the trouble of daily computation. As you live in Pittsburgh, you would get the *Times* one day late, but since you would have also the chart of ten active stocks, this would not make much difference. The ten stocks should be selected from the speculative leaders—standard stocks continuously active, say six rails and four leading industrials. Slight variations in the list chosen will not make any important difference in the results obtained from the chart.

(2) The Dow-Jones averages are not suited to the preparation of the above charts, because they give you only the closing prices and not the high and low for the day. The *Evening Sun* averages would answer, but we prefer the *Times* because fifty stocks are included instead of 25 by the *Evening Sun*.

(3) We are inclined to doubt whether any great advantage is to be gained by keeping separate averages of railroad and industrial averages. If you desire to know from time to time whether the railroads and industrials as a whole are running along together or diverging, you can quickly observe this by consulting the Dow-Jones averages, which we publish monthly in the magazine. You should, however, keep daily charts of at least half a dozen of the leading stocks separately. This number may be increased to cover all the stocks in which you feel interested, but you need at least five or six of the leaders anyway.

(4) Questions in regard to accumulation and distribution are of course to a great extent matters of opinion and cannot be definitely settled until some time after the supposed accumulation or distribution takes place. From our point of view the average of fifty stocks showed moderate but not extensive distribution from about January 23, 1914, to February 20. You will note that Steel Common sold at the high figure of 67¼ January 31, Union Pacific 164⅜ on the same date and Reading 172¼ on January 23. Steel did not decline much, but remained relatively firm compared with other stocks, until the end of March. The railroads declined more quickly owing, of course, to the specially bearish conditions affecting all railroad stocks in the recent past.

(5, 6 and 7) These questions seem to indicate that you are crediting "manipulation" with much more arbitrary power than any manipulators have ever possessed, taking the whole market into consideration. It may be possible for inside interests to control very closely the movement of a single stock with which they are intimately connected, but we do not believe it is possible for any individual or any group to control the whole market or any considerable part of it in this manner.

There is always a certain amount of accumulation by investors and large speculators going on at low prices after a decline and likewise a good deal of distribution or realizing at high prices after an advance. There may be considerable of this kind of buying after a decline and then increased bearish developments may force prices still lower and a further accumulation may proceed at this lower range.

In regard to Union Pacific, many investors undoubtedly began to buy below 155 during the decline in April and held the stocks thus bought. The extreme low price, under 150, was due to the Mexican war scare, which developed suddenly owing to the unexpected action of President Wilson at Vera Cruz.

(8) We cannot answer this question definitely, as it is a matter of opinion, but according to the best information we can obtain, insiders are not at present as active in Union Pacific as your question would imply. We doubt very much if there was any important realizing by interests connected with the property from May 2 to May 7, and probably no short selling by those interests.

If there is active manipulation in a stock the manipulator can lead the horse to water, but cannot make him drink. He can raise or depress prices, but he cannot induce the public to buy at an advance or sell at a decline, unless they are disposed to do so. In our opinion there is very little manipulation at the present time in the leading stocks.

A Practical Test Desired.

Of the many hundreds, possibly thousands, of articles I have read at different times giving advice how, when and where to invest, I have not yet seen any writer dare to make a practical demonstration of the soundness of his judgment.

For example, why not run an article in the magazine giving advice as to what particular stocks to invest in and state just exactly what you intend to do, then keep the account in the magazine every month, thus showing the soundness or rottenness of the writer's judgment? In your May issue you have an article by a gentleman who has made a fortune in U. S. Steel and is now following the fluctuations. It reads like Milk and Honey, *but* how about getting out and getting in? It is not as easy as it reads.

I bought Steel in 1907 at 23¼ and have

it yet; never saw the time when I could have sold at a handsome profit that I did not think it was going much higher. I set my mark for 115: it never got there, although many of the wiseacres said it would go to 125. I would like to see you start an account and let a man back his judgment in black and white every month; thus let him say in the July issue that Steel is going up, therefore to buy on July 1, 100 shares of Steel and put in a stop order five points below the purchase price or a selling order at such a price. I would like to see him take three or four stocks and speculate with them. That would show what his judgment is worth.—J. C.

It would be impossible to carry out in a monthly magazine the plan you have in mind, as prognostications would have to be made daily in advance to form a real test. No one can be expected to judge the market accurately a month or six weeks in advance. On the other hand, a service such as our Trend Letter furnishes to subscribers, we believe, exactly covers the point you raise. Our clients have made good profits over a period of time. We tell them definitely and positively when to buy and when to sell, and the fact that four out of five become permanent subscribers speaks for itself.

Bank Statements—Pig Iron.

From which of the New York bank statements do you make up your statements of ratios as they appear in THE MAGAZINE OF WALL STREET? The London *Times* as enclosed gives the figures of the Clearing House members, but calls it the details of the New York Associated Banks.

How do you deduce the amounts of the Surplus Reserves? From the average statement or from the week-end statement showing the actual position on Saturday? Please give an example in figures of the statement enclosed, of Saturday, May 2, 1914.

How do you find the Ratios of Cash to Deposits and Loans to Deposits? How do you do it when 5 Saturdays occur in a month? How do you get the Ratio of Specie to Loans and what is included in Specie in arriving at the Ratio desired?

From what pig iron do you make out your wholesale price?—B. N. (London).

The per cents. of cash to deposits and of loans to deposits for New York Clearing House Banks, given in our table headed "Essential Statistics Boiled Down," are calculated from the average for the month of the weekly bank statements given out during the month—4 or 5, as the case may be. This is to furnish a permanent record of the monthly movements of these ratios. If, however, you desire to calculate these ratios for your own use, we would recommend that you keep a weekly record, as you will find this more convenient. You can then make your calculations on each bank statement as it appears and add the same weekly to your previous records.

The figures we use are those given at the end of the statement of "New York Bank Returns" as printed in the London *Times*. To find the per cent. of cash to deposits, you simply divide total cash reserve, which was, on the statement you sent for May 2, 1914, $422,570,000, by the net deposits, or $1,573,480,000. Likewise to find the per cent. of loans to deposits you divide the loans of $1,500,420,000 by the net deposits of $1,573,480,000. This, of course, is the average statement. You could use the week-end (or actual) statement just as well, provided you use the same statement all the time so that your figures all correspond. However, the week-end statement does not appear to be given in the London *Times* and the average statement will doubtless answer your purpose equally well.

Surplus reserves as we use them—that is, for the banks alone, not including the trust companies—are given in the statement, $29,200,000. If you desire to figure the ratio of specie to loans you can do it in the same way, dividing the specie item of $355,610,000 by the loans, $1,500,420,000. Specie includes all gold and silver and all paper certificates which represent gold and silver on deposit with the government. That is, it includes all the cash and currency in the banks except U. S. Notes and National Bank Notes.

You could figure similar ratios to the above on the basis of the statement of all Clearing House members, including the trust companies, using the items "loans," "not deposits" and "aggregate lawful reserve," if you desired, but our experience is that no advantage is gained by including the trust companies, while if you use the banks only, without the trust companies, you have the advantage of being able to make comparisons for many years. You will remember that the trust companies were admitted to the Clearing House only a few years ago, so that these figures can be obtained only for a short period. The chief advantage in the study of these ratios lies in comparing them with other years during several minor cycles. This is done, of course, in our graphic of New York Banking Conditions, which appears frequently in our department called "Market Outlook."

The price of pig iron given in our "Essential Statistics" is the monthly average price of Southern Pig at Cincinnati. Different publications use various methods of quoting the price of pig iron, but we think that this kind of iron is as good an index to the general market as any other kind or any combination that can be figured out.

All the various graphics of iron prices contained in our articles on "The Art of Interpreting Financial Conditions" are also based on Southern Pig.

If we have not fully covered your questions we shall be glad to hear from you further. These matters are rather intricate, but we will gladly do our best to make them clear.

Comparing Figures with Preceding Year.

Most financial publications give data of

current conditions and compare it with similar data at the same period of the previous year. This is a time honored custom and very probably the average business man would be mystified by a statement like this:

"Pig iron production for March, 1914, 75,000 tons per day; pig iron production for March, 1911, 70,000 tons per day."

It seems to me, however, that the figures for 1911 are of vastly greater importance than those of 1913, which are the ones usually quoted. My argument is this: 1911 was a year of readjustment and recovery, 1914 is a year of readjustment and recovery, hence comparisons of production, railroad earnings, bank clearings and bank statements are better guides when made between similar years in a cycle than when made with the preceding year, which is never of the same character as the current year.

To illustrate further, 1915 will be a year of activity. Comparisons made with the data of 1914 will probably show a vast improvement and therefore may be misleading, if comparison is made between the figures for the years 1915 and 1912, a much truer conception of actual conditions will be obtained. In brief, comparisons made between the years of recovery and liquidation are of less value than those made between years of liquidation, years of recovery and years of activity and prosperity even though the numerical dates may be three or four years apart.—W. M.

Your view of the matter is entirely correct. The only way to draw any satisfactory conclusions from such statistics as pig iron production is to compile them in the form of a graphic such as appears on Page 29 of the May issue of this magazine. The upper line on that graphic gives you the monthly production of pig iron in an intelligible form, so that the course of the minor cycle is shown and comparisons can be made intelligently and between corresponding parts of the cycle.

The same principle applies to practically all other classes of statistics. The customary method of comparing with last year is of some value in showing whether business is active or inactive, but is of no value at all in enabling the student to form an opinion as to the future.

Swings of the Market.

Before I had any knowledge of reading the long and short swings of the market, I wondered why, when bad news came out, the market could continue its rise, and when good news appeared prices often dropped. During the floods of last year and also at the time of J. P. Morgan's death, the rising swing was not checked. Recently a good crop report sent prices down, and on the bad steel tonnage and exports of gold, prices rose. This is not so puzzling any more, because I know the market is in a swing of its own. The laws that govern these swings are set in motion months and months ahead. They will work out in their own precision, no matter what the news is. The only effect news has is to make them work slower or faster.

The Supreme Court decision in the Reading case could not have been foreseen before it was issued, yet Reading made its ups and downs exactly as its trend formation indicated, eventually going higher after a big drop, because the decision was a favorable one.

Any one who depends on news, or what he thinks is going to happen, as, for instance, the coming freight rate decision, is almost sure to guess wrong. The swing of the market at the time of the decision will be carried out with the utmost precision in its own direction—perhaps very rapidly before going in a contrary direction caused by the decision.

This shows how necessary it is to know the present "Trend" of the market—how far the great swing must go, and whether the present swing is upward and the "Trend" downward. If upward and the "Trend" downward, how much of a foundation has it to rise upon, before turning downward again, into its great swing? These are the practical points for one to study, and they are not impossible to formulate.—L. G.

The Figure Chart—Copper.

In Vol. 3, page 45, is a question "To Detect Accumulation." The answer refers to the "Figure Chart." Where can I obtain information in regard to this? This matter of distribution and accumulation has been puzzling me. Do you know of any books that treat of this subject?

Where can I get "Walker's Copper Letter" and also "Stevens' Copper Handbook"? —J. L.

You will find considerable information in regard to the use of the figure chart in the articles entitled "Studies in Stock Speculation" in Volume VII, and there is also a chapter devoted to this subject in our book "Studies in Tape Reading," price $3.06 postpaid. You will find frequent references to the figure chart and information in regard to its use scattered through past volumes in the form of answers to inquiries received from time to time.

"Walker's Copper Letter" is published each week in the Boston *Commercial*. "Stevens' Copper Handbook," now "The Copper Handbook," was reviewed in our April issue, and we can furnish it to you for $5 delivered.

Home Reading Course.

I have several of the books used in your Home Reading Course. Do you make any allowance for these on the price of the Course?—J. G.

It would be manifestly unfair to ask you to duplicate the books used in the course which you happen to have on hand. We are therefore willing to adjust the cost of the course to you, making a proper credit for the books you now own.

We fully realize the needs of an investor

and in arranging the course believe we teach him what he should know. In our opinion no better investment of the amount involved could possibly be made by any one interested in investments, even in a small way. One great benefit is the fact that you are not restricted to the special points outlined for the lessons. If a thought occurs to you as something which should be followed, why all you have to do is to state it to us and we will make such explanation as its character demands.

Speaking of Averaging.

A reader suggests that instead of buying 100 shares on each point down in a declining market, it would be better to buy say, 50 shares at 62, 100 at 60 and 150 at 58 instead of buying a full hundred shares at each price. This gives the buyer the advantage of having his smallest lot at the highest price, and the largest lot at the lowest price; provided the stock touches that figure.

The idea seems to be an improvement on the old averaging plan in which uniform quantities are dealt in.

We should like to hear from readers who have followed this or other variations of the averaging idea.

A Trend Letter Subscriber Says.

"I have been using the Trend Letter for several months in connection with my own studies, in the attempt to reduce the losses and get more profit than Trend Letter advices would give, if carried out strictly to the letter.

"I frequently write a Trend Letter just before receiving yours and compare the two. Until I tried this, I did not fully appreciate the difficulties of the work. Sometimes, I start a campaign ahead of you, sometimes behind; but never contrary to yours, as I have found you hard to beat.

"For instance, I began the present campaign two days ahead of the Trend Letter, buying one-half quantity, with orders to buy the other half three points down and with a stop three points below the average, stops being nearly all below the recent extreme lows.

"Upon receiving the Trend Letter, I bought the other half quantity at the market with three point stops and applied the same stops to the lots previously purchased. My average prices are about 1½ points below Trend Letter prices. Sometimes, it is the other way, however.

"I am much inclined to prefer the above plan in buying on sharp breaks, such as the recent one, and the 'full quantity at once' plan in selling short, as I have not found it so difficult to judge the tops within three points, but almost impossible to get the bottom as closely as that.

"I am never satisfied with taking one, three or four point profit only on the half quantity according to your standing instructions; but watch for a break or rally on which to try for a second profit; that is, if the campaign is still continued. I believe I do better on the average with this half quantity, than with the half which is carried all the way through to the end of the campaign.

"Please do not consider this letter a criticism of the Trend Letter. It is merely to show how the Trend Letter may be adapted to one's own methods."

Earned and Appreciated.

Your magazine contains a mine of information.
J. K.

I enclose check for one year subscription when my present subscription expires. The trial subscription has proved the worth of the magazine and I shall look forward to succeeding issues for more useful information on various properties and on the market.
R. S. B.

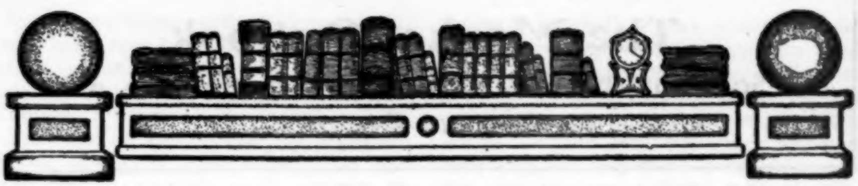
Electrical Utilities Continue to Expand

IT may be questioned whether it is strictly correct to say that the only industrial interests in this country which are at present experiencing any inactivity are those immediately dependent upon the railroads. Actually it is almost impossible to name any manufacturing industry (or at least any one of the first magnitude) whose general health is not affected by the health of the transportation interests; and the depression which has now settled upon the railroads has communicated itself very widely into fields which, at first blush, might appear to possess no earthly connection with matters of freight rate adjustment.

The electrical industry is certainly one of these, although it must be stated that the electric utility companies are exhibiting a greater stability than almost any other set of business interests in the country, and that any depression which they are now feeling is as much the outcome of the general lack of confidence as of any sympathetic sagging with the railroads.

We are doubtless going through a time of depression. There is no question but that the present rate of electrical progress is perceptibly less than that established as the annual average by the 1907 and 1912 government census.

Recently, however, some authentic data have been made available. It shows steady increases in gross earnings in practically every State.



Book Reviews

Railroad Statistics. Comparative operating statistics of 53 of the principal railroads in the United States for the five years ending June 30, 1913. Price, Waterhouse & Co., New York.

This is a most valuable book giving statistics drawn from the pamphlet reports of the railroads supplemented by figures direct from the Interstate Commerce Commission and groups the lines into eight groups. About seventy-five items are given, making a thorough analysis of the operating features both as to physical and financial characteristics, the latter showing operating income and expenses in detail. The book is of great service for quick reference for the banking house, railroad office and others who have need for these statistics.

Prosperity: How It Must Come. Economic Facts for Workers and Preachers. By Roger W. Babson. 120 pages, cloth binding; price 58 cents, postpaid. For sale by The Magazine of Wall Street.

A revision of several of Mr. Babson's lectures on "Taxation," "Religion and Prosperity" and "The Only Solution." He discusses mistaken ideas in taxation, the high cost of living, three kinds of taxation, personal responsibility, real patriotism, the training of children, teaching unselfishness, etc. He favors the taxation of the unearned increment on real estate and adjustment of income taxes so as to encourage business enterprise. The keynote of the book is perhaps found in the following quotation: "We would devote more time to training our children and less to training salesmen; we would devote more time to acquiring health, and less time to acquiring money; we would devote more time to developing our characters and minds, and less time to developing our business and 'reputation.'"

The Cause of Business Depression—As Disclosed by an Analysis of the Basic Principles of Economics. By Hugo Bilgram in collaboration with Louis Edward Levy. Cloth, 530 pages, including appendix and index with 26 diagrams. (Lippincott.) For sale by The Magazine of Wall Street. Price $2.16 postpaid.

Is there a remedy for recurrent industrial depressions? Are they the symptoms of a curable economic disorder, or merely the natural outgrowth of industrial progress and development which cannot be avoided? The authors have made a thorough investigation of economic conditions and in this eminently scientific yet popular work they endeavor to show the cause of business depression and its cure.

The book shows evidence of a great deal of careful thought and study and its authors are thoroughly familiar with the economic principles which underlie variations in the activity of business. It is divided into four parts: I, Fundamental Concepts; II, Distribution of Wealth; III, Restraints on Industry; IV, Conclusions. In Part I such economic factors as Production and Consumption, Value, Credit, Money, etc., are discussed. Part II takes up Labor and Wages, Land and Rent, Interest, Profits and Losses, etc. Part III discusses Monopoly as Affecting Business Conditions, while Part IV takes up Currency Reform and its Probable Effects.

The business man will have no trouble in understanding the general conclusions reached without any special knowledge of economics, but the subject has been handled in a scientific way so that a special appeal is made to the student. It is a book well worthy the careful attention of all those who desire to make an intelligent study of the causes and effects of business depressions.

The Titan. By Theodore Dreiser. Cloth, 552 pages. (John Lane Co.) For sale by Magazine of Wall Street, price $1.50 postpaid.

This is the second volume of Mr. Dreiser's trilogy, of which "The Financier" was the first. "The Titan" takes up the career of Frank Cowperwood as he leaves the penitentiary with a fortune in his hands and unabated confidence in his destiny. His ambition and courage are quite undaunted by his prison experience and he finds in Chicago, just rising from her ashes, after the fire of 1871, the opportunities that his financial genius requires. In the person of Cowperwood, Dreiser has epitomized these forces of daring, egotism and unscrupulousness. Whether it happened to be a traction company or another man's wife, what Cowperwood wanted he took.

Dreiser writes about social phases which are typically American and which can be found only in America. Business, the breeding of money, the building up of vast fortunes, the imperial power with which wealth endowes the unscrupulous financier who has the cunning to acquire it—all those desires which may be summed up in the phrase, "the lust for success," contribute to the bigness and boldness of the continental landscape which he portrays.

The Market Outlook

Some of the Factors Beneath the Surface of Current Events

[NOTE.—This department deals primarily with investment, not purely speculative conditions. Expressions of opinion apply to the long movements of prices, often extending over a year or more. For instance, early in 1912 a bullish position was maintained; toward the end of the bull movement in the fall of 1912, a decline was predicted; thereafter a generally bearish view was expressed until the fall of 1913, when purchases were recommended. Readers, therefore, should not attempt to gauge the immediate movement of prices by the factors analyzed here.—THE EDITORS.]

GOLD exports of over $68,000,000 for the year 1914 up to June 20 have naturally attracted a good deal of attention. This is a much larger outflow of gold than has been seen in the corresponding months of any recent year. That comparison, however, is not exactly fair, since there is, broadly speaking, no regular "seasonal fluctuation" in the gold movement.

We are, perhaps, rather more likely to have an export movement in the first half of the year than in the last half, because the heavy exports of crops in the fall to some extent take the place of gold. But there have been plenty of instances of gold exports in the fall.

We have to remember, of course, that imports of gold later in 1914 may cause the final showing of the year to look very different from that of the first six months. In 1908, for example, over $44,000,000 gold was exported before the end of August; yet the balance of exports for the entire year was only $30,939,000.

* * *

GOLD exports are not properly to be regarded as a *cause* for a bear stock market. In 1909, for example, our balance of gold exports for the year was $88,793,000—in fact, there was not a single month of that year in which the balance was in our favor—yet 1909 was a bull year in stocks.

If trade was active in this country, so that money was in demand to be used in handling the business, exports of gold would pull the props out from under us, raise interest rates, cause a stringency more or less severe, and thus have a depressing effect on the security markets. But with more money on hand than can possibly be used in transacting the country's business, the loss of a part of our gold has no immediate effect.

When the next business boom arrives, if it reaches the point where money gets scarce, then we might begin to feel the absence of gold which had been exported several years previous. That is, speculation might carry prices still higher if we had more gold to base it on, but if prices were carried higher, then imports of merchandise would increase (because our plane of prices would thus be relatively higher than European prices), exports of merchandise would decrease, and an export movement of gold would necessarily begin.

In other words, a nation engaged in foreign trade cannot permanently maintain a plane of prices above the world's parity. Exports of gold will result, thus pulling prices back again to a level with other commercial countries.

* * *

THE present gold export movement has special causes. The most important of these is the effort of the big European banks to build up gold reserves to serve as "war chests" in case the ever-expected conflict should be precipitated between two or more of the great powers. The gold which is thus salted down in bank vaults has to be taken away from the world's trade. This process undermines the foundation of credit, checks business expansion, and pulls down all prices—of both securities and commodities—to a lower level.

Since this country is making no effort to accumulate gold, and in fact has at

present no efficient method of even holding what it now has on hand, the natural result is that part of our gold is drawn away from us. As soon as the Federal Reserve System is in operation, the Board will be able to exercise a certain degree of control over money rates and therefore to restrain gold exports to some extent, if it is thought desirable to do so. But on the other hand, the new System will decrease our requirements for gold through reduction of bank reserves.

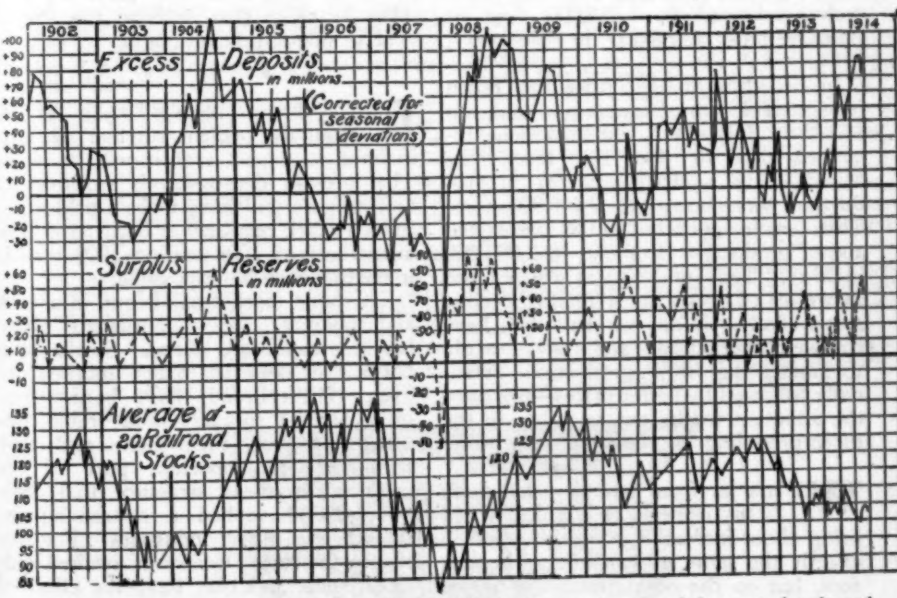
In a word, we now have more gold than we have use for, and it is undoubtedly to our advantage as well as to Europe's that a reasonable export movement should take place. Moreover, we are a gold producing nation, so that a certain quantity of gold will naturally be "sold" to other countries yearly in exchange for merchandise which we wish to import.

* * *

IT is rather surprising to note how little our bank reserves have been affected by the gold exports. Reference to the diagram herewith shows reserves to be abnormally high and to have decreased only about a dozen millions of dollars as a result of gold exports down to this writing. Some further decrease will occur as the gold goes out which has just been engaged, but there is no indication that our reserves will be seriously impaired.

The small loss of cash has caused a corresponding drop in the excess of deposits over loans (which it will be remembered is modified to a non-seasonal basis on the diagram), but this figure still remains very high and shows a liberal accumulation of liquid capital, which will sooner or later begin to find its way into the bond and stock markets.

At present the uncertainty and discouragement of investors and business men prevents any great broadening of either the bond market or the stock market. Bond prices are well maintained and bond sales are larger than last year's, but the market is still narrow compared with period of real investment activity.



NOTE.—The above graphic shows (in millions of dollars) the general course of the excess deposits and surplus reserves, of New York clearinghouse *banks* (leaving out the trust companies), and the broad movements of standard railway stocks from 1902 to date. The line for excess deposits has been adjusted to a non-seasonal basis. The lines for surplus reserves and for the stock market are not thus modified. The *upper* zero line represents equality of loans and deposits. The *second* zero line represents reserves equal to 25% of deposits. The principles on which the graphic is based and the exact method of constructing it are fully explained in Mr. Selden's book entitled "Investing for Profit."

IN the May issue of this magazine, in the article entitled "Interpreting Financial Conditions," attention was called to the remarkable regularity in the movements of the price of pig iron and iron production during the three depressed periods of 1904, 1908 and 1911. In each case the following phenomena appeared in the same order and occupying very nearly the same length of time:

(1) Sharp drop in both price and production.

(2) Partial recovery in production for two or three months, the price remaining nearly stationary at a low level.

(3) Loss of part of the rocovery in production during a period which was, curiously enough, just three months in each case—the price meantime remaining almost stationary near the bottom.

(4) Increasing production, gradually followed by advancing prices.

So far during 1913 and 1914 the movements of these factors have been exactly the same as in the three previous periods of depression above mentioned. The high point of iron production was in May, 1913, at 2,822,000 tons. A sharp decline followed to 1,885,000 tons in January, and 1,888,000 in February, 1914.

In the meantime the price had fallen from $17.25 in December, 1912, to $13.75 in July, 1913, and has since remained close to that low level. In March, 1914, a sharp recovery in production was shown, to 2,348,000 tons. Then came period (3) as explained above, production dropping to 2,093,000 in May. The June figures are not out as we go to press, but a further decline seems likely. If so, we shall then have completed period (3), and shall be ready for increasing iron production, gradually followed by better prices—provided the situation works out as it has in the three preceding depressions.

* * *

WE are far from asserting that there is any ironclad rule which would bring about increased iron production in exactly the same month now as heretofore, but on the other hand we do not hesitate to assert that these factors will work themselves out this time in *substantially* the same way as in 1904, 1908 and 1911.

Another point is worth noting. In each of the above three years iron production began to increase in the month of August as the summer dull period began to pass. A somewhat better tone in the steel market has already been noted during the past few weeks, with a moderate increase in equipment orders placed by the railroads. We have the crop prospect which would naturally encourage the placing of more orders for all sorts of steel and iron products. Business in general has been thoroughly liquidated, and is drifting along at a low level.

In short nearly all conditions as we interpret them favor the assumption that the present summer will mark the low level of business activity—with the possible exception of the anti-big-business legislation now pending at Washington. These bills have still to undergo pruning by the Senate, and it is likely that some of their most drastic features may be eliminated. Moreover, if they are to be passed, it is better for business that they be pushed through now rather than postponed to hang over our heads for another year—in that decision the President is unquestionably right.

* * *

EVEN though recovery may set in from the present summer, we are inclined to expect that it will be slow. The present depression is world-wide, and its cure will have to be world-wide. Such a quick recovery as occurred in the latter half of 1908 and in 1909 would, it seems to us, be impossible.

The bond market has begun in a mild and moderate way to anticipate better business conditions ahead. Stocks have not as yet done so to any marked degree. The railroads have been struggling against specially unfavorable conditions affecting them alone, and they form such an important part of the country's business structure that their adversities have had a restraining influence on other industries. For this reason the Rate Decision is awaited with impatience, and may have the effect of considerably hastening or retarding a recovery from the present dullness, which must, however, inevitably occur before very long regardless of the decision.

The Iron and Steel Situation

A Faint Ruffle on the Surface Over the Past Three Weeks

HISTORY is very likely to repeat itself in the iron and steel trade in what has been going on during the past month. It will be remembered that in January last the trade got a large amount of good cheer from the apparent awakening of things from their long sleep of months. Just when everyone was about to make plans for months of good business something happened and flat went the whole market just as quickly as it came forth. Right up to the end of May the steel companies seemed to be doing the irreducible minimum of business in the matter of new orders received. Then suddenly, as though a gust of wind from somewhere, the inquiry for steel products broadened and took on evidences of real life. Steel men began to feel that something more than "psychological improvement" had set in. They have been watching it however with no such optimism as prevailed in January last when they accepted it as a turn in the situation and proceeded to act accordingly.

There are some points of difference between the January spurt as it proved to be and this new movement whatever it may turn out to be. There was some justification for the steel manufacturers accepting the January movement as a turn in affairs since that in the midst of the business season and at a time when it would be natural to expect something of the kind.

On the contrary the movement that apparently set in four weeks ago comes at the beginning of the summer when everything is expected to shut down and the summer dullness prevail over the trade. Whether the buyers of steel were simply forced to come into the market early in June through exhaustion of their stocks or whether it was the beginning of a real buying movement for the future is yet unsettled. A little more time will tell. However it may turn out, it coincides with certain views of well informed steel people to the effect that the second half of the year will show some marked improvement. There is good ground for expecting some improvement in the second half of the year. Witness the tremendous crops that are expected to be harvested this Fall. Good crops always stimulate some business in the steel trade. Why should not they this year create a good tide of new orders?

But the steel companies have had such a long spell of slow business that they have been practically eating their heads off. Their unfilled orders have been slowly lowering. It will take some pretty good buying to bring them up to the point where operations on a large scale can be looked forward to for some months to come.

The situation even now is really much of a tug-of-war between buyers and sellers. This because of the fact that such low prices are prevailing. A number of steel people at the beginning of June were not much surprised that the market began to look somewhat better, for they said that it was the only way the situation could go, it having been about as bad as it possibly could be for some time past.

At any rate the mills are working little more than half capacity. Possibly some are running as high as 65% or 70%, but that is only in special products. On the average they are doing little more than 50%. That is a good way from good business. The optimistic prediction earlier in the year that by the middle of the year we would see the mills running close to 90% was woefully wrong. It was then believed that the railroads would have had their freight rate increase granted, at least in part and that they would have come in as larger buyers. Freight rate decision day seems to be near at this writing (June 12) which possibly accounts for the little more life in the trade over the early part of the month. If the roads get anything worth while it is very likely that their buying to the end of the year will be on a liberal scale.

Says one authority on the question of when the trade will have big business again: "Everyone has come to realize that in the not extremely distant future a period of great prosperity is in store for the industry. The latest time set for the inception of an important and prolonged improvement is the early part of 1915."

The Situation Summarized

[While an attempt is here made to divide the important factors into favorable and unfavorable, this classification is for convenience only. It should be fully recognized that the same factor may have a bullish effect in one direction and bearish in another, or may be bullish in its immediate influence, but containing dangerous possibilities for the future. Also, it would be impossible to strike a balance in this way, as one bullish factor might be so important as to outweigh all bearish considerations, or vice versa.]

Favorable

THE generally excellent crop prospect is the most important of the bullish factors now visible. The wheat outlook is positively unprecedented, corn has a good start and minor crops all doing well. Splendid pasturage is helping to reduce the cost of living. Cotton condition low, but with good chances of improvement later in the season.

Easy money continues to favor the constructive side. The big gold exports have had hardly any effect on the money rate here, while the building up of foreign gold reserves has materially strengthened the banking position on the other side.

Decision of Supreme Court in Shreveport Rate Case is decidedly helpful as tending to clarify the general railroad situation.

The bond market continues relatively more active than the stock market and prices of bonds are holding their own well. The supply of capital for permanent investment is not yet large, but may be expected to grow.

Bank clearings outside of New York City do not indicate any such depth of business depression as news dispatches would seem to imply. For five months of 1914 they have been only a shade under 1913, and well in excess of any previous year—and this in spite of generally lower prices, which in itself reduces clearings.

New financing continues very conservative—less than last year and a good deal less than 1912.

Building operations, while not up to 1909 and 1910, are running about equal to 1911, 1912 and 1913.

Pig iron prices show resistance around $13.75 for No. 2 Foundry Southern, which was low point of 1913, reached in July of that year. Some further decline not improbable, but thoroughly liquidated market is indicated. About the same may be said of copper.

Larger equipment orders by the railroads —over 100,000 cars during past few weeks— in preparation for fall crop movement.

Owen Bill for regulation of stock exchanges is meeting opposition in Senate. If passed at all, will have to be considerably modified.

Unfavorable

BIG gold exports have held the center of the stage recently. While their influence is not exclusively bearish under present conditions, they must unquestionably be counted on the unfavorable side as an evidence of depressed general business and an unsatisfactory balance of trade.

The Anti-Trust Bills, persistently pushed by the President, certainly have an unsettling effect, whatever our opinion may be as to the final desirability of the proposed legislation.

Low condition of cotton, 74.3, contrasts with flourishing state of other crops.

Liabilities of failures for May were largest since 1908, showing continuance of business liquidation.

Falling commodity prices point in the same direction. Bradstreet's Index is now 8.62 against 9.49, the high point of 1913. Not much business improvement can be expected until prices begin to rise.

Declining exports and increasing imports of merchandise show that our prices cannot rise much without resulting in further heavy gold exports, unless prices abroad rise at the same time. Apparently improvement in business here will depend to a large extent on improvement abroad.

Foreign conditions still depressed, with special complications in France, Russia, Brazil and the Balkans.

Big failures in London have had depressing effect there.

Gross railroad earnings running nearly 10 per cent. below last year. Net earnings very poor. Idle car surplus enormous.

Unemployment of labor is a general feature throughout most of the country. Wages, in most cases, have not been reduced, owing to the strength of the labor unions. Some improvement in efficiency of labor, however, as a result of desire of men to hold their jobs.

Dullness on the Stock Exchange seems to have struck bottom and then gone lower. Speculation practically at a standstill.

Mexican situation apparently as uncertain as ever.

Essential Statistics Boiled Down

THE figures below give a complete view of the financial and industrial situation, with the best available comparisons for the corresponding month (or nearest month obtainable) in each of the four preceding years.

	Average Money Rate Prime Commercial Paper New York.	Average Money Rate European Banks	Per Cent. Cash to Deposits, New York Clearing-house Banks.	Per Cent. Loans to Deposits, New York Clearing-house Banks.	Per Cent. Cash to Deposits, All National Banks.	Per Cent. Loans to Deposits, All National Banks.	Money in Circulation Per Capita First of Month.
June, 1914.............	3¼	3½	27.9	94.0	.....	......	$35.19
May, 1914.............	3⅞	3½	27.5	94.7	.....	......	35.20
April, 1914............	3¼	3½	26.1	96.5	15.8*	104.4*	34.99
June, 1913.............	5⅞	4⅞	27.7	98.8	15.6†	102.7†	34.54
" 1912.............	4	3½	26.7	96.3	16.9†	103.6†	34.61
" 1911.............	3⅝	3⅜	28.1	95.7	17.1*	105.3*	34.70
" 1910.............	4⅞	3⅜	27.1	100.5	16.0*	104.5*	34.59

*March. †February.

	New Securities Listed N. Y. Stock Exchange (000 omitted)	Bank Clearings of U. S. (000 omitted)	Bank Clearings of U. S. Excluding N. Y. City (000 omitted)	Balance of Gold Movements —Imports or Exports (000 omitted)	Balance of Trade Imps. or Exports (000 omitted)
May, 1914..........	$30,014	$13,187,356	$5,948,825	....	....
April, 1914.........	57,515	14,924,762	6,376,245	Im. $3,015	Im. $10,271
May, 1913..........	131,520	14,143,482	6,180,974	Ex. 7,906	Ex. 60,883
" 1912..........	107,905	14,814,311	6,034,533	Ex. 1,104	Ex. 19,682
" 1911..........	69,266	13,524,593	5,565,969	Ex. 1,802	Ex. 23,338
" 1910..........	174,297	13,178,504	5,371,635	Im. 2,424	Ex. 12,246

	Bradst's Index of Commodity Pcs.	English Index of Commodity Pcs.	Wholesale Price of Pig Iron	Produc'n of Iron (Tons.) (000 o'td.)	Price of Electro. Copper (Cents.)	U. S. Production of Copper (Lbs.) (Millions)	U. S. St'l Co. Unfill. Tonnage (000 o'td.)†
June, 1914............	8.62	2,595	$13.75	.....	13.8	...	.....
May, 1914............	8.62	2,585	13.75	2,093	14.1	142	3,998
April, 1914...........	8.75	2,597	13.75	2,270	14.2	152	4,277
June, 1913............	9.07	2,694	14.06	2,822*	14.7	141*	6,324*
" 1912............	9.10	2,687	14.25	2,512*	17.2	126*	5,751*
" 1911............	8.53	2,540	13.44	1,893*	12.3	126*	3,113*
" 1910............	8.91	2,411	14.85	2,390*	12.4	123*	4,257‡

*May. †Last day of mo. ‡June.

	Net Surplus of Idle Cars.	Building Operations, Twenty Cities.	Business Failures Total Liabilities.	Crop Conditions. Winter Wheat.	Crop Conditions. Spring Wheat.	Crop Conditions. Cotton.	Babson's Average 10 Leading R. R. Bonds.
June, 1914..........	241,802	....	....	97.2	95.5	....	92.5
May, 1914..........	228,879	....	$20,101,661	95.9	....	74.3	93.0
April, 1914.........	139,512	$48,934,437	19,219,249	95.6	....	....	93.4
June, 1913..........	50,908	50,641,821*	15,726,696*	83.5	93.5	79.1	91.4
" 1912..........	86,386	59,434,953*	14,064,995*	74.3	95.8	78.9	97.3
" 1911..........	166,970	42,663,880*	14,160,206*	80.4	94.6	87.8	98.3
" 1910..........	126,497	51,775,655*	11,463,882*	80.0	92.8	82.0	97.4

*May.

Market Statistics

For Month Ending June 19, 1914

	May.	Dow Jones Avgs. Inds.	Dow Jones Avgs. Rails.	50 Stocks High.	50 Stocks Low.	Total Sales.	Breadth (No. issues.)
Wednesday	20	81.46	103.37	69.39	69.06	138,600	114
Thursday	21	81.25	103.01	69.15	68.93	205,200	125
Friday	22	80.89	102.68	69.08	68.65	92,900	86
Saturday	23	80.85	102.68	68.84	68.62	100,900	92
Monday	25	81.40	103.24	69.23	68.91	110,100	107
Tuesday	26	81.23	103.08	69.31	68.93	74,100	112
Wednesday	27	81.56	103.64	69.44	69.08	161,700	120
Thursday	28	81.55	103.48	69.46	69.19	129,100	107
Friday	29	81.57	103.11	69.25	69.03	114,500	98
	June.						
Monday	1	80.98	102.53	69.03	68.74	100.900	101
Tuesday	2	80.50	101.80	68.67	68.13	197,700	112
Wednesday	3	80.82	102.12	68.55	68.09	157,400	109
Thursday	4	81.17	102.37	68.96	68.53	181,600	118
Friday	5	81.19	102.35	68.86	68.63	90,700	100
Saturday	6	81.48	102.91	69.15	68.63	132,900	111
Monday	8	81.64	103.01	69.42	68.99	161,300	119
Tuesday	9	81.81	103.38	69.64	69.27	145,800	118
Wednesday	10	81.84	103.30	69.55	69.27	107,100	107
Thursday	11	81.61	103.02	69.39	69.14	110,400	107
Friday	12	81.76	103.28	69.47	69.28	121,500	114
Saturday	13	81.57	103.20	69.40	69.28	41,100	73
Monday	15	81.46	103.14	69.38	69.16	90,700	107
Tuesday	16	81.28	102.86	69.21	68.80	149,800	116
Wednesday	17	81.03	102.60	68.82	68.49	113,200	100
Thursday	18	81.25	102.78	68.86	68.61	82.500	95
Friday	19	81.33	102.94	68.87	68.71	78.500	102